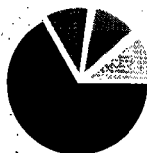


CITY OF HURRICANE, UTAH
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005



KEMP BURDICK
KEMP BURDICK HINTON & HALL L.C.
CPA'S & ADVISORS

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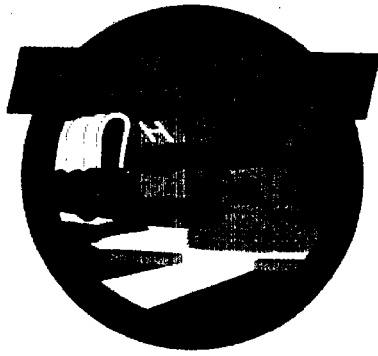
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INTRODUCTORY SECTION

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City of Hurricane

Clark R Fawcett
City Manager

Thomas B Hirschi
Mayor

Larry LeBaron
Ethelyn Humphries
John W Bramall
Danny G Campbell
Glenwood Humphries
Council Members

Honorable Mayor and City Council
City of Hurricane, Utah

The comprehensive Annual Financial Report of the City of Hurricane, Utah for the fiscal year ended June 30, 2005 is submitted herewith.

ACCOUNTING SYSTEM

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the liability is incurred. Accounting records for the City's utilities and other enterprises are maintained on the accrual basis.

GENERAL GOVERNMENTAL FUNCTIONS

Revenues for general governmental functions totaled \$5,778,311 for 2004-05, an increase of \$830,740 from \$4,947,571 for fiscal year 2003-04. The following revenue sources are shown compared to fiscal year 2003-04.

<u>REVENUE SOURCE</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>Increase (Decrease)</u>
Property Taxes and Penalties	\$1,067,524	\$ 997,718	\$(69,806)
Sales Tax	1,051,266	1,228,967	177,701
Franchise Taxes	553,573	662,871	109,298
License and Permits	310,627	584,094	273,467
Intergovernmental Revenue	652,052	540,595	(111,457)
Charges and Services	805,210	945,025	139,815
Fines and Forfeitures	263,655	327,165	63,510
Other	243,664	491,876	248,212
Total	<u>\$4,947,571</u>	<u>\$5,778,311</u>	<u>\$830,740</u>

147 N 870 W * Hurricane, Utah 84737
Phone (435)635-2811 * Fax (435)635-4284
www.cityofhurricane.com

Taxable value of Real Property for 2005 is \$458,098,753 representing an increase of over the preceding year. This increase results from the continued growth in residential, commercial, and industrial areas. The Certified tax rate for 2005 is .001772%.

Expenditures for general governmental purposes totaled \$5,635,263 which was \$678,897 more than 2003-2004. Levels of expenditures for major functions of the city with a comparison to the preceding year are shown in the following tabulation. General Government includes: Mayor and City Council, Judicial, Clerk, Treasurer, Recorder, Non-Departmental, Buildings and Grounds, Elections, Planning and Zoning, and Professional Services expenses; Public Safety includes: Police Protection, Fire Department, Ambulance, Inspection and Animal Control; Highways and Public Improvements includes: Highways General, Class "C" Roads, Waste Disposal, and Airport; Parks, Recreation, and Public Property includes: Parks, Recreation, Swimming Pool, and Cemetery.

<u>Function</u>	<u>2003-2004</u>	<u>2004-2005</u>	<u>Increase (Decrease)</u>
General Government	\$1,021,344	\$1,056,894	\$ 35,550
Public Safety	2,320,834	2,475,190	154,356
Highways & Public Imp.	941,229	1,157,837	216,608
Parks, Recreation & Public Property	510,959	550,342	39,383
Transfer to Other Funds	162,000	395,000	233,000
Total	<u>\$4,956,366</u>	<u>\$5,635,263</u>	<u>\$ 678,897</u>

Enterprise Funds include: Electric Utilities, Water, Pressurized Irrigation, and the Sky Mountain Golf Course, Municipal Building Authority, and Drainage.

	<u>Electric</u>	<u>Water</u>	<u>Golf</u>
Revenues	\$7,305,063	\$2,638,046	\$ 1,271,602
Expenses	<u>6,391,994</u>	<u>1,185,119</u>	<u>1,265,707</u>
Net Income	<u>\$ 913,069</u>	<u>\$1,455,927</u>	<u>\$ 5,895</u>

INDEPENDENT AUDIT

Utah State Law requires an annual audit to be made of the books of account, financial records and transactions of all administrative departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with and the auditors' report has been included in this presentation.

EMPLOYEES RETIREMENT SYSTEM

The City of Hurricane participates in the Utah State Retirement system which covers all City, County, and State employees. The City contributes 11.09% of each salary to this system. The Police Department participates in the Public Safety Branch of the Utah State Retirement System. The City contributes 19.08% to the Public Safety System and 8.61% to the fireman's system. The City's contribution for the year ended June 30, 2005, was \$361,993.28. This included the Employees' voluntary contributions to the state 401K plan which all employees are eligible to participate in.

CLOSING STATEMENT

The preparation of this report could not have been accomplished without the efficient and dedicated services of the accounting staff of Kemp, Burdick, Hinton & Hall L.C. I should also like to thank the members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,

Clark R. Fawcett
City Manager

FINANCIAL SECTION

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**KEMPBURDICK**

KEMP BURDICK HINTON & HALL L.L.C.

CPA'S & ADVISORS

Independent Auditors' Report

The Honorable Mayor and
Members of the City Council
Hurricane, UT 84737

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hurricane City, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hurricane City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hurricane City, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2005 on our consideration of Hurricane City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 10-19, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hurricane City's basic financial statements. The accompanying combining statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Hurricane City, Utah. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.

October 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hurricane, we offer readers of the City of Hurricane's financial statements this narrative overview and analysis of the financial activities of the City of Hurricane for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

The total net assets of the City of Hurricane increased 20.11% to \$26,573,638.

The total net assets of \$26,573,638 are made up of \$15,422,360 in capital assets net of related debt and \$11,151,278 in other assets.

In the General Fund, revenues exceeded expenditures by \$533,047. \$395,000 was then transferred to other funds including Capital Project Funds to be used to fund additional capital projects. The total fund balance of the General Fund represents 19.38% of total budgeted expenditures for the next fiscal year ending fy2006.

Total long-term liabilities of the City are \$18,420,606.

Business-type activities total net assets increased \$2,771,705 or 18.16%.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the City of Hurricane's basic financial statements. The City of Hurricane's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the City of Hurricane's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all of the City of Hurricane's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Hurricane is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

- The statement of activities present information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the City of Hurricane that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Hurricane also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These funds statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement Activities) and governmental funds in a reconciliation included with the fund financial statements.
The only major government fund (as determined by generally accepted accounting principles) is the General Fund. The balances of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.
- **Proprietary funds** – These funds also known as Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Hurricane uses enterprise funds to account for its Electric Utility, Water Utility, Pressurized Irrigation Utility, Drainage System, Municipal Building Authority, and Golf Course. As shown in the financial statements, all enterprise funds except for Drainage and Pressurized Irrigation are classified as major funds. The Drainage and Pressurized Irrigation funds are

classified as nonmajor and are included in the combining statements within this report.

- Fiduciary funds – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator or a government's financial position. In the case of the City of Hurricane, assets exceed liabilities by \$26,573,638.

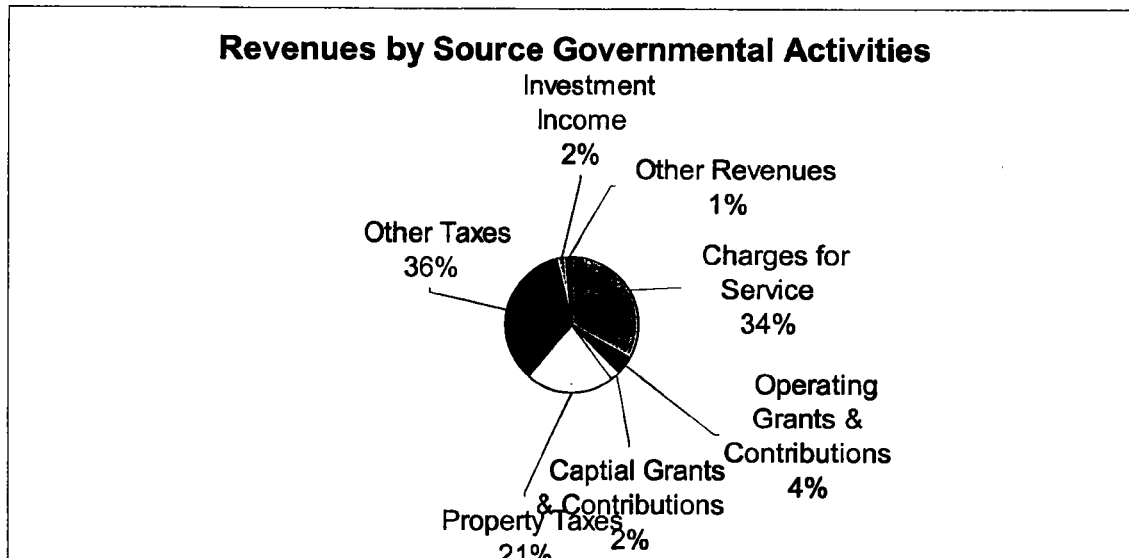
Capital assets comprise 68.04% of the net assets of the City. Capital assets consist of land, buildings, infrastructure assets, (roads, sidewalks, water and power lines, etc.) and machinery and equipment. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	Business- type Activities
Current and Other Assets	\$5,860,753	\$8,737,990
Capital Assets	<u>\$10,623,027</u>	<u>\$22,866,907</u>
Total Assets	<u>\$16,483,780</u>	<u>\$31,604,897</u>
Long-term debt outstanding	\$6,526,990	\$11,893,616
Other Liabilities	<u>\$1,413,947</u>	<u>\$1,405,486</u>
Total Liabilities	<u>\$7,940,937</u>	<u>\$13,299,102</u>
Net Assets:		
Invested in Capital Assets, net of Debt	\$4,238,419	\$11,183,941
Restricted	\$3,526,835	\$2,167,825
Unrestricted	<u>\$777,589</u>	<u>\$4,679,029</u>
Total Net Assets	<u>\$8,542,843</u>	<u>\$18,030,795</u>

CHANGES IN NET ASSETS

	Governmental Activities	Business- type Activities
Revenues:		
Program Revenues:		
Charges of Service	\$2,596,180	\$11,656,029
Operating Grants & Contributions	\$343,759	
Capital Grants & Contributions	\$183,133	
Property Taxes	\$1,669,121	
Other Taxes	\$2,775,997	
Investment Income	\$172,689	\$134,310
Other Revenues	<u>\$ 102,001</u>	<u>\$133,196</u>
Total Revenues	<u>\$7,842,880</u>	<u>\$11,923,535</u>
Expenses:		
General government	\$ 965,844	
Public Safety	\$2,428,294	
Highways/Public Improvements	\$1,237,594	
Parks & recreation	\$763,415	
Economic Development	\$509,030	
Interest on Long-term Debt	\$260,314	
Electric		\$6,391,994
Water		\$1,130,859
Golf Courses		\$1,220,827
Drainage		\$74,382
Municipal Building Authority		\$246,161
Pressurized Irrigation		<u>\$87,607</u>
Total Expenses	<u>\$6,164,491</u>	<u>\$9,151,830</u>
Increase in Net Assets	\$1,678,389	\$2,771,705
Net Assets Beginning	<u>\$6,864,454</u>	<u>\$15,259,090</u>
Net Assets End	<u>\$8,542,843</u>	<u>\$18,030,795</u>

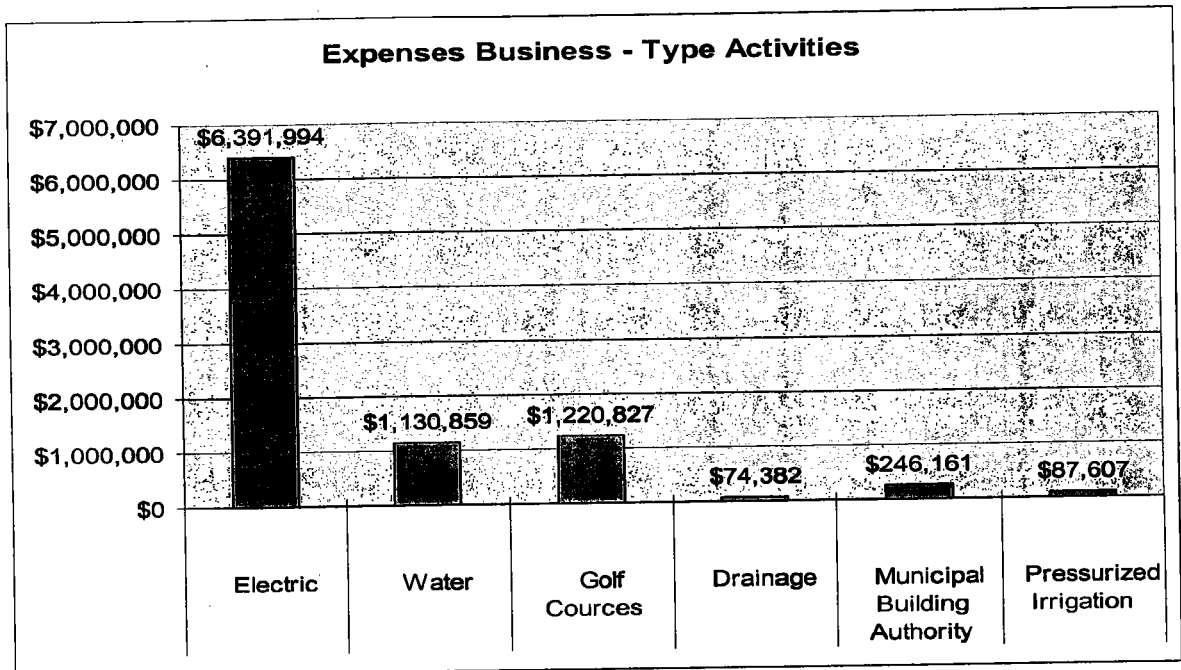
The following graphs display the government-wide activities for governmental activities reflected in the above tables.



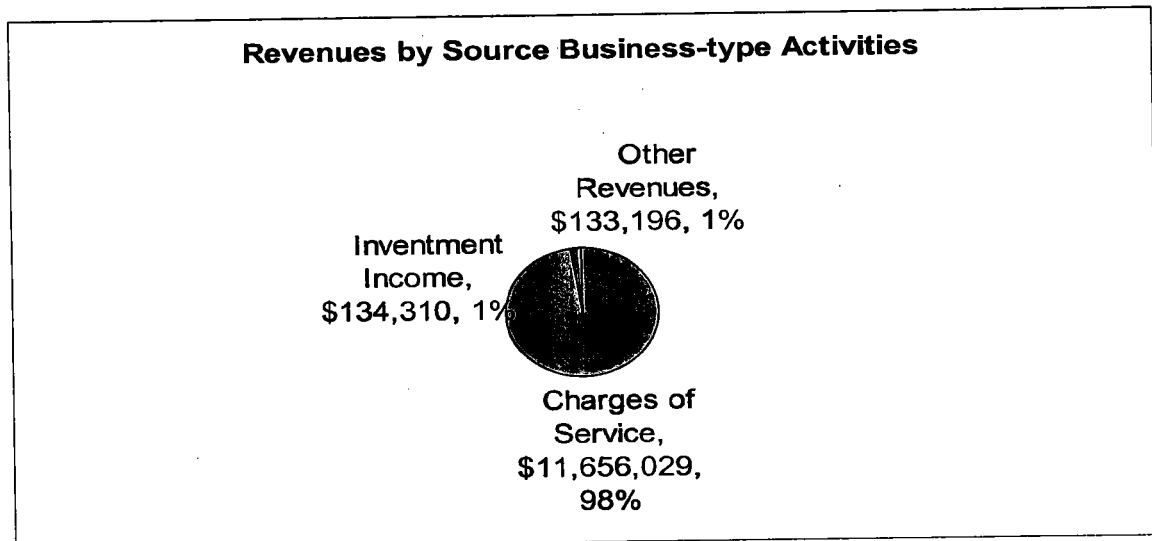
The largest revenue by far is charges for services. This is due to the number of proprietary funds whose main source of funding is service fees. The distribution of revenues is similar to prior years but no comparison is available because this is the first year under this new format of report. Comparisons will be provided in future years. The Charges for services have increased because of an increase in water and pressurized irrigation rates during the year. The remainder of the revenues should be consistent with prior years.

Although nearly all expenditure categories in the governmental activities saw increases, all remained fairly constant as a percentage of total expenditures.

Total net assets in business-type activities increased by \$2,771,705. The Electric Utility accounts for a large portion of these because of the completion of the new Generation facility. The water fund also showed an increase due in part to an increase in water rates.



As can be seen from the following chart, the majority of revenues in the business-type activities are in charges for services with over 98%, and with interest earnings of 1%. Due to the decrease in interest rates the interest revenue has dropped each year for the last two years.



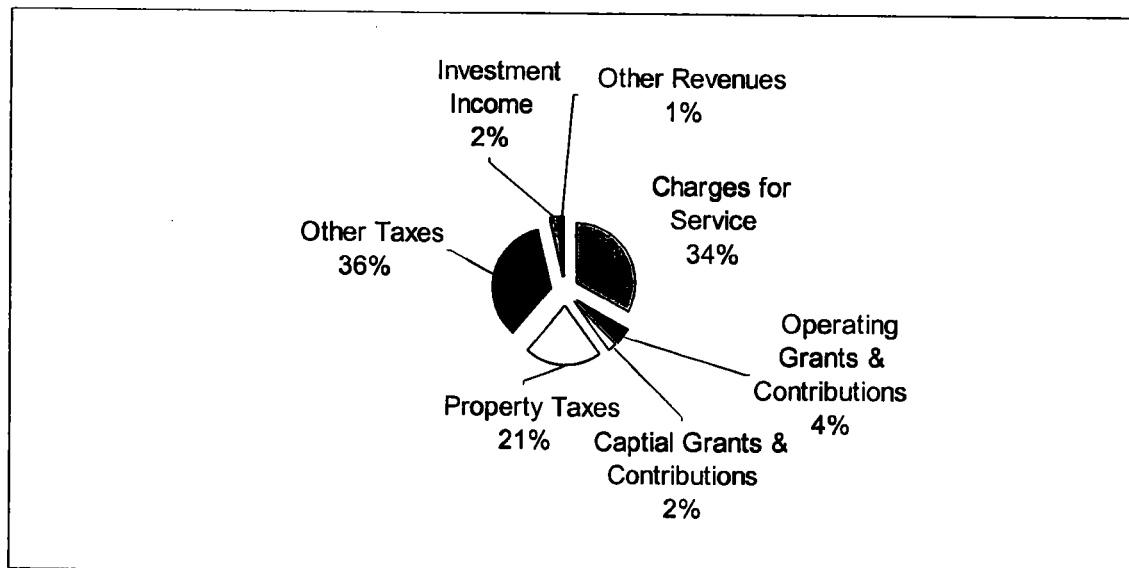
FINANCIAL ANALYSIS OF GOVERNMENT FUNDS

The focus of the City's government funds is to provide information on near-term inflows; outflows and balances of spend able resources. Such information is useful in assessing the City's financing requirements.

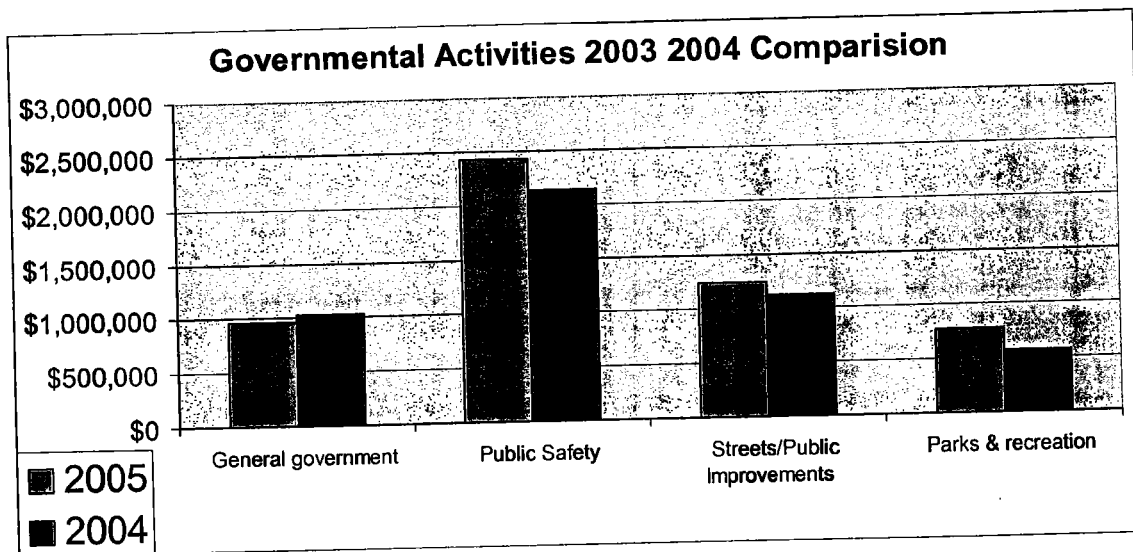
As of June 30, 2005, the City governmental funds (General, Capital Projects, Debt Service, & Special Revenue) reported combined fund balances of \$4,562,107. This represents an increase of \$1,808,726 (65.7%) over last year's ending balances. The General Fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund. While revenues exceeded expenditures in the General Fund by \$538,048 during the year, a portion of the surplus (\$395,000) was transferred to the Capital Projects fund for use on future capital projects. The General Fund fund balance increased by \$143,148. An analysis of this total fund balance shows that it represents just over 19.38% of projected revenues for the new fiscal year which ends June 30, 2006.

Taxes continue to be the largest source of revenue in the General Fund and represent 50% of total general fund revenues. The largest element of taxes is sales taxes. It represents 42.53% of total tax revenues and represents 21.27% of total general fund revenues. This compares with 21.16% in the prior fiscal year ended June 30, 2004.

The following charts display General Fund revenues as a percent of total revenues.



The following graphs display the expenditures in the General Fund by function for the past fiscal year. As can be seen by reviewing the graphs, the General and Administrative and the Parks and Recreation are fairly consistent between 2003 and 2004 showing a slight increase. Public Safety and Streets & Public Improvements saw a larger increase in expenditures from 2003 to 2004.



As stated earlier, the City maintains several enterprise funds to account for the business-type activities of the City. The separated fund statements included in this report provides the same information for business-type activities as is provided in the governmental-wide financial statements. However, the difference is that the fund statements provide much more detail.

The Electric Utility fund continued strong in its operations during the year with increased charges for services and impact fees. Total operating revenues increased \$282,065 or 4.96% during the year and the impact fees due to increase growth increased \$596,776 or 129%. Total expenditures increase by 9.74%, and the cost of power increased by 15.59%. The net results were that the utility posted an income of \$913,069 in 2005. The water utility fund had an increase in its net income from \$523,066 in 2004 to \$468,806 in 2005. This was due to increase water sales of 3.6%, and an increase in impact and connection fees of 175.59%. Operating expenses in the water fund increased 3.98%.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund original budget was amended from an original budget expenditure total of \$4,788,947 to a final budget of \$6,234,082 (30.18%). These increases were made to take advantage of revenues being better than originally anticipated. The largest increase was to allow for the transfer of surplus revenues from the General Fund to the Capital Project Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City of Hurricane's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$33,489,934 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, infrastructure (streets, sidewalk, etc.), and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Completion of the Brentwood fire station.
- Completion of sidewalk, curb & gutter and street improvements on 180 West from 400 South to Goulds Wash.
- Water distribution system improvements and electric distribution line improvements.

HURRICANE CITY'S CAPITAL ASSETS

(net of depreciation)

Governmental Activities

Business-type Activities

Water Stock		\$1,844,588
Land	\$4,549,858	\$1,950,475
Buildings	\$428,992	\$2,087,475
Infrastructure	\$4,025,459	\$8,945,272
Machinery & Equipment	\$1,618,718	
Plant, Property, & Equipment		\$8,039,065
Total	\$10,623,027	\$22,866,907

Additional information on the City's capital assets can be found in the footnotes to this financial report and also the supplemental section.

Long-term debt – At June 30, 2005, the City had total bonded debt outstanding of \$16,699,000. Of this amount \$1,589,000 is considered to be general obligation debt and backed by the full faith and credit of the City; \$1,054,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment; \$2,787,000 is Redevelopment Agency debt backed by tax increment financing; and the remainder of \$11,269,000 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

	<u>Governmental Activities</u>		<u>Business- type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General Obligation Bonds	\$1,589,000	\$1,669,000		
RDA Bonds	\$2,769,240	\$2,955,688		
Capital Leases	\$972,368	\$793,277	\$102,737	\$184,536
Notes Payable			\$521,880	\$549,129
Special Assessment Debt	\$1,054,000	\$1,525,000		
Revenue Bonds			\$10,667,480	\$10,667,480
Total Outstanding Debt	\$6,384,608	\$6,942,965	\$11,401,145	\$11,401,145

The City's total debt decreased by \$379,272 during the fiscal year. New bonds were issued during the fiscal year for the Brentwood Fire Station and the new addition to Fire Station #1 in the Municipal Building Authority Fund of \$970,000.

State statutes limit the amount of the general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is \$17,050,218 which is significantly in excess of the City's outstanding general obligation debt. In addition, state statute allows for an additional 4% to be used for water, sewer, or electrical projects thus resulting in a debt limit of 8% of total taxable value. The current limitation for these water, sewer, and electrical projects is thus \$34,100,436, which again significantly exceeds the outstanding business-type activity debt.

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Washington County (of which Hurricane is the 2nd largest City) was 4.1% compared with a state unemployment rate of 5.1% and a national rate of 6.1%. This compares with a rate of 3.7% in 2002. (source: Utah Department of Workforce Services)
- The General Fund budget for the fiscal year-ending June 30, 2006 reflects an increase of 18.30% over the final budget for the fiscal year-ended June 30, 2005.
- Growth in construction of new homes increased significantly in 2004-05. Over 400 residential building permits were issued during the year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the city of Hurricane's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to: City of Hurricane, City Manager, and 147 North 870 West, Hurricane, Utah 84737.

BASIC FINANCIAL STATEMENTS

CITY OF HURRICANE, UTAH
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 775,890	\$ 5,163,620	\$ 5,939,510
Receivables (net of allowance)	1,292,547	763,243	2,055,790
Inventory	-	614,723	614,723
Internal balances	182,071	(182,071)	-
Prepays	85,081	-	85,081
Deferred Charges	17,760	210,650	228,410
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	3,507,404	2,167,825	5,675,229
Capital assets (net of accumulated depreciation):			
Water stock	-	1,844,588	1,844,588
Land, improvements and water rights	4,549,858	1,950,507	6,500,365
Plant and equipment	1,618,718	8,039,065	9,657,783
Irrigation pond	-	11,726	11,726
Water tank	-	872,312	872,312
Buildings	428,992	2,087,475	2,516,467
Distribution system	-	8,061,234	8,061,234
Infrastructure	4,025,459	-	4,025,459
Total assets	<u>16,483,780</u>	<u>31,604,897</u>	<u>48,088,677</u>
Liabilities			
Accounts payable and other current liabilities	186,078	1,515,520	1,701,598
Deferred revenue	1,094,809	-	1,094,809
Interest payable	133,060	164,966	298,026
Noncurrent liabilities:			
Due within one year	1,102,860	643,350	1,746,210
Due in more than one year	5,424,130	11,250,266	16,674,396
Total liabilities	<u>7,940,937</u>	<u>13,574,102</u>	<u>21,515,039</u>
Net Assets			
Invested in capital assets, net of related debt	4,238,419	11,183,941	15,422,360
Restricted for:			
Debt service	112,983	1,114,731	1,227,714
Capital projects	3,081,964	1,053,094	4,135,058
Legal restrictions	160,724	-	160,724
Other purposes	171,165	-	171,165
Unrestricted	777,589	4,679,029	5,456,618
Total Net Assets	<u>\$ 8,542,843</u>	<u>\$ 18,030,795</u>	<u>\$ 26,573,638</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HURRICANE, UTAH
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government	\$ 965,844	\$ 320,635	\$ 590	\$ -	\$ (644,619)	\$ -
Public safety	2,428,294	989,752	145,636	4,000	(1,288,906)	-
Highways	1,237,594	529,079	192,312	177,461	(338,742)	-
Parks and recreation	763,415	756,714	5,221	1,672	192	-
Economic development	509,030	-	-	-	(509,030)	-
Interest on long-term debt	260,314	-	-	-	(260,314)	-
Total governmental activities	6,164,491	2,596,180	343,759	183,133	(3,041,419)	-
Business-type activities:						
Water	1,130,859	2,559,311	-	-	-	1,428,452
Electric	6,391,994	7,228,492	-	-	-	836,498
Golf course	1,220,827	1,271,652	-	-	-	50,825
Municipal Building Authority	246,161	225,000	-	-	-	(21,161)
Pressurized Irrigation	87,607	136,587	-	-	-	48,980
Drainage	74,382	234,987	-	-	-	160,605
Total business-type activities	9,151,830	11,656,029	-	-	-	2,504,199
General Revenues:						
Taxes:						
Property taxes levied for general purposes					950,718	950,718
Property taxes levied for debt service					718,403	718,403
Franchise taxes					662,871	662,871
General sales taxes and highway sales taxes					1,529,032	1,529,032
Licenses, permits, and fees					584,094	584,094
Unrestricted investment earnings					172,689	134,310
Lease payments					104,928	(104,928)
Gain (loss) on sale of assets					27,393	31,325
Miscellaneous					176,479	-
Transfers					(206,799)	206,799
Total general revenues & transfers					4,719,808	267,506
Change in net assets					1,678,389	2,771,705
Net assets - beginning					6,864,454	15,259,090
Net assets - ending					\$ 8,542,843	\$ 18,030,795
						\$ 26,573,638

The accompanying notes are an integral part of the financial statements.

CITY OF HURRICANE, UTAH
Balance Sheet
Governmental Funds
June 30, 2005

	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 775,890	\$ -	\$ -
Receivables	53,562	1,094,809	-
Due from other governments	144,176	-	-
Due from other funds	-	-	335,369
Prepaid expenses	85,081	-	-
Restricted cash and cash equivalents	171,165	98,254	3,237,985
Total assets	<u>\$ 1,229,874</u>	<u>\$ 1,193,063</u>	<u>\$ 3,573,354</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 26,013	\$ 12,390	\$ 24,070
Accrued liabilities	106,165	17,440	-
Due to other funds	-	-	153,298
Deferred revenue	-	1,094,809	-
Total liabilities	<u>132,178</u>	<u>1,124,639</u>	<u>177,368</u>
Fund Balances:			
Reserved for:			
Debt service	44,559	68,424	-
Capital outlay	-	-	3,081,964
Other	171,165	-	160,724
Unreserved, reported in:			
General fund	881,972	-	-
Special revenue fund	-	-	-
Capital projects funds	-	-	153,298
Debt service fund	-	-	-
Total fund balances	<u>1,097,696</u>	<u>68,424</u>	<u>3,395,986</u>
Total liabilities and fund balance	<u>\$ 1,229,874</u>	<u>\$ 1,193,063</u>	<u>\$ 3,573,354</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.

Net assets of governmental activities

The accompanying notes are an integral part of the financial statements.

**Total
Governmental
Funds**

\$ 775,890
1,148,371
144,176
335,369
85,081
3,507,404

\$ 5,996,291

\$ 62,473
123,605
153,298
1,094,809

1,434,185

112,983
3,081,964
331,889

881,972

-
153,298

-

4,562,106

10,623,027

(6,642,290)

\$ 8,542,843

CITY OF HURRICANE, UTAH
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	General	Debt Service	Other Governmental Funds
Revenues			
Taxes	\$ 2,889,556	\$ -	\$ 971,468
Licenses, permits and fees	584,094	-	-
Intergovernmental revenue	540,595	-	280
Charges for services	945,025	-	765,880
Fines and forfeitures	327,165	-	-
Sale of capital assets	54,140	-	850,600
Special Assessments	-	487,411	-
Contributions and donations	-	-	5,226
Investment earnings	26,598	81,185	64,906
Other revenues	75,912	-	152,059
Total revenues	<u>5,443,085</u>	<u>568,596</u>	<u>2,810,419</u>
Expenditures			
Current:			
General government	1,056,894	300	33,981
Public safety	2,475,190	-	-
Highways	1,157,837	-	-
Parks and recreation	550,342	-	45,350
Economic development	-	-	505,478
Debt service:			
Principal	-	471,000	261,233
Interest	-	84,871	201,104
Capital outlay:			
Street construction	-	-	254,302
Capital outlay	-	-	476,946
Total expenditures	<u>5,240,263</u>	<u>556,171</u>	<u>1,778,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>202,822</u>	<u>12,425</u>	<u>1,032,025</u>
Other Financing Sources (Uses)			
Lease proceeds	330,226	-	-
Lease payment	-	-	231,228
Operating transfers in	5,000	-	390,000
Operating transfers out	(395,000)	-	-
Total other financing sources and uses	<u>(59,774)</u>	<u>-</u>	<u>621,228</u>
Net change in fund balances	143,048	12,425	1,653,253
Fund balances, beginning of year	<u>954,649</u>	<u>55,999</u>	<u>1,742,733</u>
Fund balances, end of year	<u>\$ 1,097,697</u>	<u>\$ 68,424</u>	<u>\$ 3,395,986</u>

The accompanying notes are an integral part of the financial statements.

<u>Total Governmental Funds</u>	
\$	3,861,024
	584,094
	540,875
	1,710,905
	327,165
	904,740
	487,411
	5,226
	172,689
	<u>227,971</u>
	<u>8,822,100</u>
	1,091,175
	2,475,190
	1,157,837
	595,692
	505,478
	732,233
	285,975
	254,302
	<u>476,946</u>
	<u>7,574,828</u>
	<u>1,247,272</u>
	330,226
	231,228
	395,000
	<u>(395,000)</u>
	<u>561,454</u>
	1,808,726
	<u>2,753,381</u>
\$	<u><u>4,562,107</u></u>

CITY OF HURRICANE, UTAH
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities (page 21) are different because:

Net change in fund balances - total governmental funds (page 25)	\$ 1,808,725
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	431,903
Governmental funds do not report the transfer of nonfinancial resources (such as a capital asset) to an enterprise fund as a transfer. However, in the statement of activities, the transfer is reported.	(206,799)
In the statement of activities, only the gain or loss on sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	(931,097)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	549,996
Accrued interest for long-term debt is not reported as an expenditure for the current period in the governmental funds, while it is recorded in the statement of activities.	25,661
Change in net assets of governmental activities (page 21)	<u>\$ 1,678,389</u>

The accompanying notes are an integral part of the financial statements.

CITY OF HURRICANE, UTAH
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,600,880	\$ 3,126,400	\$ 2,889,556	\$ (236,844)
Licenses, permits and fees	286,100	603,100	584,094	(19,006)
Intergovernmental revenue	529,442	650,154	540,595	(109,559)
Charges for services	794,600	958,071	945,025	(13,046)
Fines and forfeitures	262,800	336,050	327,165	(8,885)
Sale of capital assets	4,000	56,000	54,140	(1,860)
Investment earnings	16,635	24,360	26,598	2,238
Other revenues	37,725	98,721	75,912	(22,809)
Total revenues	4,532,182	5,852,856	5,443,085	(409,771)
Expenditures				
Current:				
General government	1,068,103	1,191,203	1,056,895	134,308
Public safety	2,155,489	2,783,289	2,475,190	308,099
Highways	991,754	1,223,254	1,157,837	65,417
Parks and recreation	529,351	633,851	550,342	83,509
Total expenditures	4,744,697	5,831,597	5,240,264	591,333
Excess (deficiency) of revenues over (under) expenditures	(212,515)	21,259	202,821	181,562
Other Financing Sources (Uses)				
Lease proceeds	215,000	330,226	330,226	-
Operating transfers in	51,000	51,000	5,000	(46,000)
Operating transfers out	(45,000)	(395,000)	(395,000)	-
Total other financing sources and uses	221,000	(13,774)	(59,774)	(46,000)
Net change in fund balances	8,485	7,485	143,047	135,562
Fund balances, beginning of year	954,649	954,649	954,649	-
Fund balances, end of year	\$ 963,134	\$ 962,134	\$ 1,097,696	\$ 135,562

The accompanying notes are an integral part of the financial statements.

CITY OF HURRICANE, UTAH
Statement of Net Assets
Proprietary Funds
June 30, 2005

	<u>Water Fund</u>	<u>Electric Fund</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 962,048	\$ 3,370,787
Receivables, net of allowance	105,768	624,739
Inventory	-	614,723
Due from other funds	-	168,992
Bond discounts and issuance costs, net of accumulated amortization	-	150,755
Total current assets	<u>1,067,816</u>	<u>4,929,996</u>
Noncurrent assets:		
Restricted cash and cash equivalents	962,619	978,735
Capital assets:		
Water stock	1,579,913	-
Land, improvements and water rights	198,366	68,957
Plant and equipment	579,984	9,664,566
Irrigation pond	-	-
Water tank	935,317	-
Intangible plant	-	36,780
Buildings	68,663	28,395
Distribution system	5,278,843	4,127,421
Less: Accumulated depreciation	<u>(1,799,322)</u>	<u>(4,360,272)</u>
Total noncurrent assets	<u>7,804,383</u>	<u>10,544,582</u>
Total assets	<u>8,872,199</u>	<u>15,474,578</u>
Liabilities		
Current liabilities:		
Accounts payable	222,049	811,226
Accrued liabilities	12,277	135,563
Customer deposits	26,520	210,025
Due to other funds	-	-
Interest payable	-	112,528
Current portion of noncurrent liabilities	44,221	394,129
Total current liabilities	<u>305,067</u>	<u>1,663,471</u>
Noncurrent liabilities:		
Leases payable	61,792	40,944
Notes payable	521,880	-
Bonds payable	-	7,059,000
Less current portion of noncurrent liabilities	<u>(44,221)</u>	<u>(394,129)</u>
Total noncurrent liabilities	<u>539,451</u>	<u>6,705,815</u>
Total liabilities	<u>844,518</u>	<u>8,369,286</u>
Net Assets		
Invested in capital assets, net of related debt	6,258,092	2,616,658
Restricted for debt service	-	888,260
Restricted for capital outlay	962,619	90,475
Unrestricted	806,970	3,509,899
Total net assets	<u>\$ 8,027,681</u>	<u>\$ 7,105,292</u>

The accompanying notes are an integral part of the financial statements.

<u>Golf Fund</u>	<u>Municipal Building Authority</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals 2005</u>
\$ 707,255	\$ -	\$ 123,530	\$ 5,163,620
-	-	32,736	763,243
-	-	-	614,723
-	-	-	168,992
-	59,895	-	210,650
707,255	59,895	156,266	6,921,228
-	132,746	93,725	2,167,825
-	-	264,675	1,844,588
-	2,046,244	-	2,313,567
976,849	-	-	11,221,399
13,029	-	-	13,029
-	-	-	935,317
-	-	-	36,780
26,368	2,224,690	-	2,348,116
-	-	2,488,152	11,894,416
(693,378)	(524,090)	(363,243)	(7,740,305)
322,868	3,879,590	2,483,309	25,034,732
1,030,123	3,939,485	2,639,575	31,955,960
20,333	-	50,348	1,103,956
27,179	-	-	175,019
-	-	-	236,545
182,071	160,416	8,576	351,063
-	22,390	30,048	164,966
-	133,000	72,000	643,350
229,583	315,806	160,972	2,674,899
-	-	-	102,736
-	-	-	521,880
-	3,036,000	1,174,000	11,269,000
-	(133,000)	(72,000)	(643,350)
-	2,903,000	1,102,000	11,250,266
229,583	3,218,806	1,262,972	13,925,165
322,868	770,739	1,215,584	11,183,941
-	132,746	93,725	1,114,731
-	-	-	1,053,094
477,672	(182,806)	67,294	4,679,029
\$ 800,540	\$ 720,679	\$ 1,376,603	\$ 18,030,795

CITY OF HURRICANE, UTAH
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Water Fund	Electric Fund	Golf Fund
Operating revenues:			
Charges for services	\$ 1,071,305	\$ 5,966,563	\$ 1,271,652
Other revenues	39,035	203,787	-
Total operating revenues	<u>1,110,340</u>	<u>6,170,350</u>	<u>1,271,652</u>
Operating expenses:			
Purchased power	-	3,761,067	-
Power generation	-	84,635	-
Rent	1,942	680	269,880
Salaries and wages	220,463	388,693	373,778
Payroll taxes	22,965	36,454	39,250
Employee benefits	93,206	126,089	110,429
Distribution system repairs and maintenance	227,242	241,245	59,019
Equipment repairs and maintenance	6,366	50,760	44,117
Truck repairs and maintenance	10,572	12,315	-
Tools expense	1,860	11,804	1,080
Office expense	-	15,878	-
Gasoline	10,168	11,818	16,728
Insurance	22,000	27,000	11,500
Depreciation	137,545	659,319	74,708
Bad debts	3,348	21,941	-
Telephone	2,173	9,869	4,646
Utilities	114,681	1,441	15,560
Office supplies	3,783	3,365	3,242
Special department supplies	-	129,952	-
Professional services	13,374	73,190	7,043
Trustee fees	-	-	-
Advertising	-	-	3,842
Franchise payment	-	322,103	-
Travel and training	3,046	14,161	28
Miscellaneous	75,543	42,381	1,734
Sales tax	-	-	71,385
Fertilizer and chemicals	7,028	-	44,349
Postage and freight	6,743	7,789	-
Credit card expense	-	3,686	15,441
Assessments	-	-	-
Water costs	95,869	-	97,050
Total operating expenses	<u>1,079,917</u>	<u>6,057,635</u>	<u>1,264,809</u>
Operating income (loss)	<u>30,423</u>	<u>112,715</u>	<u>6,843</u>
Nonoperating revenues (expenses):			
Connection and impact fees	1,448,971	1,058,142	-
Interest income	35,170	76,571	12,190
Gain (loss) on sale of capital assets	43,565	-	(12,240)
Interest expense and fiscal charges	(50,942)	(334,359)	(898)
Total nonoperating revenues (expenses)	<u>1,476,764</u>	<u>800,354</u>	<u>(948)</u>
Income before contributions and transfers	1,507,187	913,069	5,895
Capital contributions	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(54,260)	-	-
Change in net assets	<u>1,452,927</u>	<u>913,069</u>	<u>5,895</u>
Total net assets, beginning of year	<u>6,574,754</u>	<u>6,192,223</u>	<u>794,645</u>
Total net assets, end of year	<u>\$ 8,027,681</u>	<u>\$ 7,105,292</u>	<u>\$ 800,540</u>

The accompanying notes are an integral part of the financial statements.

<u>Municipal Building Authority</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals 2005</u>
\$ 225,000	\$ 299,723	\$ 8,834,243
-	25,000	267,822
<u>225,000</u>	<u>324,723</u>	<u>9,102,065</u>
-	-	3,761,067
-	-	84,635
-	60,048	332,550
-	-	982,934
-	-	98,669
-	-	329,724
-	22,634	550,140
-	-	101,243
-	-	22,887
-	-	14,744
-	-	15,878
-	-	38,714
-	2,000	62,500
94,100	47,058	1,012,730
-	858	26,147
-	-	16,688
-	12,751	144,433
-	-	10,390
-	-	129,952
-	8,407	102,014
15,554	-	15,554
-	-	3,842
-	-	322,103
-	-	17,235
-	-	119,658
-	-	71,385
-	-	51,377
-	-	14,532
-	-	19,127
-	14,850	14,850
-	-	192,919
<u>109,654</u>	<u>168,606</u>	<u>8,680,621</u>
<u>115,346</u>	<u>156,117</u>	<u>421,444</u>
-	46,851	2,553,964
5,171	5,208	134,310
-	-	31,325
(136,507)	(53,431)	(576,137)
<u>(131,336)</u>	<u>(1,372)</u>	<u>2,143,462</u>
(15,990)	154,745	2,564,906
206,799	-	206,799
-	54,260	54,260
-	-	(54,260)
<u>190,809</u>	<u>209,005</u>	<u>2,771,705</u>
<u>529,870</u>	<u>1,167,598</u>	<u>15,259,090</u>
<u>\$ 720,679</u>	<u>\$ 1,376,603</u>	<u>\$ 18,030,795</u>

CITY OF HURRICANE, UTAH
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	<u>Water Fund</u>	<u>Electric Fund</u>
Cash flows from operating activities:		
Cash received from customers, service fees	\$ 1,097,455	\$ 5,967,663
Cash received from customers, capacity fees and other	39,035	203,787
Cash paid to suppliers	(515,255)	(4,671,026)
Cash paid to employees	(334,594)	(539,880)
Net cash provided by operating activities	<u>286,641</u>	<u>960,544</u>
Cash flows from noncapital financing activities:		
Transfers (to) from other funds	(54,260)	-
Advances (to) from other funds	-	(168,992)
Net cash provided (used) by noncapital financing activities	<u>(54,260)</u>	<u>(168,992)</u>
Cash flows from capital and related financing activities:		
Principal payments on bonds	(51,461)	(405,531)
Interest paid	(50,942)	(318,566)
Purchase of capital assets	(1,057,730)	(249,686)
Connection and impact fees	1,448,971	1,058,142
Net cash provided (used) by capital and related financing activities:	<u>288,838</u>	<u>84,359</u>
Cash flows from investing activities:		
Interest on investments	<u>35,170</u>	<u>76,571</u>
Net increase (decrease) in cash and cash equivalents	556,389	952,482
Cash and cash equivalents, beginning of year	<u>1,368,278</u>	<u>3,397,040</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,924,667</u></u>	<u><u>\$ 4,349,522</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income (loss)	\$ 30,423	\$ 112,715
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation/amortization	137,545	659,319
Changes in operating assets and liabilities:		
(Increase) Decrease in receivables	26,150	1,100
(Increase) Decrease in inventory	-	111,400
(Increase) Decrease in deferred charges	-	12,333
Increase (Decrease) in accounts payable	90,483	52,321
Increase (Decrease) in accrued liabilities	2,040	11,356
Net cash provided by operating activities	<u><u>\$ 286,641</u></u>	<u><u>\$ 960,544</u></u>
Supplemental Schedule of Non-cash Investing and Financing Activities:		
Contributions of capital assets from government	\$ -	\$ -
Purchase of equipment with payable to another fund	\$ -	\$ -
Capital asset trade-ins	\$ 165,436	\$ -

The accompanying notes are an integral part of the financial statements.

<u>Golf Fund</u>	<u>Municipal Building Authority</u>	<u>Non-Major Enterprise Funds</u>	<u>Totals 2005</u>
\$ 1,271,652	\$ 225,000	\$ 299,911	\$ 8,861,681
-	-	25,000	267,822
(677,837)	(33,213)	(83,043)	(5,980,374)
(515,450)	-	-	(1,389,924)
<u>78,365</u>	<u>191,787</u>	<u>241,868</u>	<u>1,759,205</u>
-	-	54,260	-
-	65,844	(60,863)	(164,011)
-	<u>65,844</u>	<u>(6,603)</u>	<u>(164,011)</u>
(32,057)	844,000	(68,000)	286,951
(2,401)	(123,583)	(55,788)	(551,280)
-	(850,600)	(135,249)	(2,293,265)
-	-	46,851	2,553,964
<u>(34,458)</u>	<u>(130,183)</u>	<u>(212,186)</u>	<u>(3,630)</u>
12,190	5,171	5,208	134,310
56,097	132,619	28,287	1,725,874
651,158	127	188,968	5,605,571
<u>\$ 707,255</u>	<u>\$ 132,746</u>	<u>\$ 217,255</u>	<u>\$ 7,331,445</u>
\$ 6,843	\$ 115,346	\$ 156,117	\$ 421,444
74,708	94,100	47,058	1,012,730
-	-	188	27,438
-	-	-	111,400
-	(17,463)	-	(5,130)
(11,193)	(196)	38,505	169,920
8,007	-	-	21,403
<u>\$ 78,365</u>	<u>\$ 191,787</u>	<u>\$ 241,868</u>	<u>\$ 1,759,205</u>
\$ -	\$ 206,799	\$ -	\$ 206,799
\$ 182,071	-	\$ -	\$ 182,071
\$ -	-	\$ -	\$ 165,436

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies

General

The financial statements of the City of Hurricane, Utah have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is whether or not the City exercises significant influence over the potential component unit. Significant influence or accountability is based primarily on operational or financial relationships with the City. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

The accompanying financial statements include all activities of the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, room taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Debt Service Fund is used to account for the collection of special assessments and payment of the bond principal and interest related to the Special Improvement District.

The City reports the following major proprietary funds:

The Water Fund is used to account for the provision of water services to the residents of the City.

The Electric Utilities Fund is used to account for the provision of electricity to the residents of the City.

The Golf Course Fund is used to account for the operation and maintenance of the City's golf course.

The Municipal Building Authority Fund is used to account for the construction, financing and operation of various assets that will be leased to other funds of the City. The assets include the city office, golf course pond, drainage pond, City fire stations and City swimming pool facilities.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the Redevelopment Agency Fund by the Golf Fund and Pressurized Irrigation Fund for the lease of the golf course and irrigation pond. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services.

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories and prepaid items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities are valued at the lower of FIFO cost or market. Market is considered as replacement cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Distribution system and improvements	20 to 50 years
Plant and equipment	5 to 10 years
Infrastructure	20 years
Intangible assets	10 years

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and comp time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and comp time in the proprietary funds are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Accumulated unpaid vacation pay and comp time are accrued based upon the City's expected legal obligation as of the statement date. No provision is made for accumulated sick leave because the City is not obligated to pay accumulated sick leave upon termination or retirement.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$6,642,290 difference are as follows:

Bonds Payable	\$ 5,430,000
Notes Payable	-
Leases Payable	972,368
Compensated absences	124,622
Accrued interest payable	133,060
Less: Deferred amounts	<u>(17,760)</u>
Net adjustment to increase net changes in fund balance -- total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 6,642,290</u></u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this \$431,903 difference are as follows:

Capital Outlay	\$ 1,532,313
Depreciation Expense	<u>(1,100,410)</u>
Net adjustment to increase net changes in fund balance -- total governmental funds to arrive at changes in net assets of governmental funds.	<u><u>\$ 431,903</u></u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

Another element of the reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$549,996 difference are as follows:

Debt issued or incurred:	
Capital lease financing	\$ 331,000
Principal repayments:	
Payments on bonds payable	(737,448)
Payments on capital leases	(151,909)
Increase in accrued compensated absences	<u>8,361</u>
Net adjustment to decrease net changes in fund balance -- total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (549,996)</u></u>

NOTE 3. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The City Council observes the following procedures in establishing the budgetary data reflected in the financial statements:

- (1) Prior to the first meeting in May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Budgets are required for the General Fund, Special Revenue Fund, Debt Service Fund, Capital Projects funds, and the Enterprise Funds.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to June 22, the budget is legally enacted through passage of an ordinance.
- (4) The City Manager is authorized to transfer budgeted amounts within departments; however, to transfer budgeted amounts between departments requires City Council approval. Any revisions that alter the total expenditures of any fund must be approved through public hearing by the City Council and can be made at any time during the fiscal year.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 3. Stewardship, Compliance, and Accountability, Continued

Budgets for the General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Funds are prepared on the modified accrual method of accounting. Budgets for the Enterprise Funds are prepared on the accrual basis of accounting. Control is maintained at the function level. (i.e. Public Safety, Highways and Public Improvements, etc.) All appropriations lapse at year-end. Utah State law requires budgets to be prepared and reported on for the General Fund and major Special Revenue Funds. The General Fund budget was amended during the current fiscal year.

Taxes

Property taxes are collected by the Washington County Treasurer and remitted to the City in three installments: July, December, and March. Taxes are levied and are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid. An accrual of uncollected current and prior year's property taxes has not been made, as the amounts are not material in relationship to the financial statements taken as a whole.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly.

NOTE 4. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The City follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits, this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2005, \$350,647 of the City's bank balance of \$461,419 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 4. Deposits and Investments, Continued

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the City and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Zions Bank					
Treasury Obligations	\$ 1,839,545	\$ 1,839,545	\$ -	\$ -	\$ -
State of Utah Public Treasurer's Investment Fund	9,434,973	9,434,973	-	-	-
Total Fair Value	<u>\$11,274,518</u>	<u>\$11,274,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 4. Deposits and Investments, Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2005, the City had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Zions Bank					
Treasury Obligations	\$ 1,839,545	\$ 1,839,545	\$ -	\$ -	\$ -
State of Utah Public Treasurer's Investment Fund	9,434,973	-	-	-	9,434,973
Total Fair Value	<u>\$ 11,274,518</u>	<u>\$ 1,839,545</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,434,973</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 5. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

Governmental Activities:

	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Capital assets, not being depreciated:				
Land	\$ 3,083,121	\$ 87,970	\$ 25,000	\$ 3,146,091
Total capital assets, not being depreciated:	3,083,121	87,970	25,000	3,146,091
Capital assets, being depreciated:				
Improvements	2,112,547	84,072	-	2,196,619
Plant and equipment	4,004,493	592,660	86,017	4,511,136
Buildings	1,439,579	198,493	1,057,399	580,673
Infrastructure	8,287,034	569,118	-	8,856,152
Total capital assets, being depreciated:	15,843,653	1,444,343	1,143,416	16,144,580
Less accumulated depreciation for:				
Improvements	(686,529)	(106,323)	-	(792,852)
Plant and equipment	(2,558,545)	(362,583)	(28,710)	(2,892,418)
Buildings	(138,719)	(14,772)	(1,810)	(151,681)
Infrastructure	(4,213,961)	(616,732)	-	(4,830,693)
Total accumulated depreciation	(7,597,754)	(1,100,410)	(30,520)	(8,667,644)
Total capital assets, being depreciated, net	8,245,899	343,933	1,112,896	7,476,936
Governmental activities capital assets, net	\$ 11,329,020	\$ 431,903	\$ 1,137,896	\$ 10,623,027

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:

General government	\$ 32,292
Public safety	251,139
Highways	712,836
Parks and recreation	104,143
Total depreciation expense - governmental activities	\$ 1,100,410

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 5. Capital Assets, Continued

Business Type Activities:

	Balance 6/30/2004	Additions	Deletions	Balance 6/30/2005
Capital assets not being depreciated:				
Water stock	\$ 1,844,588	\$ -	\$ -	\$ 1,844,588
Land and water rights	239,233	28,090	-	267,323
Total capital assets, not being depreciated	2,083,821	28,090	-	2,111,911
Capital assets being depreciated:				
Improvements	2,046,244	-	-	2,046,244
Plant and equipment	10,845,300	593,134	217,035	11,221,399
Irrigation pond	13,029	-	-	13,029
Water tank	315,025	620,292	-	935,317
Intangible plant	36,780	-	-	36,780
Buildings	1,290,717	1,057,399	-	2,348,116
Distribution system	11,302,197	592,220	-	11,894,417
Total capital assets, being depreciated	25,849,292	2,863,045	217,035	28,495,302
Less accumulated depreciation for:				
Improvements	(298,142)	(64,918)	-	(363,060)
Plant and equipment	(2,603,070)	(618,624)	(39,360)	(3,182,334)
Irrigation pond	(1,042)	(261)	-	(1,303)
Water tank	(56,705)	(6,300)	-	(63,005)
Intangible plant	(36,780)	-	-	(36,780)
Buildings	(225,472)	(35,169)	-	(260,641)
Distribution system	(3,545,725)	(287,458)	-	(3,833,183)
Total accumulated depreciation	(6,766,936)	(1,012,730)	(39,360)	(7,740,306)
Total capital assets, being depreciated, net	19,082,356	1,850,315	177,675	20,754,996
Business-type activities capital assets, net	<u>\$ 21,166,177</u>	<u>\$ 1,878,405</u>	<u>\$ 177,675</u>	<u>\$ 22,866,907</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2005.

Governmental activities:

	Balance 6/30/2004	Additions	Retirements	Balance 6/30/2005	Current Portion
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 1,669,000	\$ -	\$ 80,000	\$ 1,589,000	\$ 32,000
Special assessment bonds	1,525,000	-	471,000	1,054,000	489,000
Tax increment bonds	2,977,000	-	190,000	2,787,000	357,000
Less deferred amounts:					
For issuance costs	(21,312)	-	(3,552)	(17,760)	-
Total bonds payable	6,149,688	-	737,448	5,412,240	878,000
Notes payable	-	-	-	-	-
Capital leases	793,277	331,000	151,909	972,368	208,196
Accrued Compensated Absences	116,261	28,358	19,997	124,622	16,664
Governmental activity					
Long-term liabilities	<u>7,059,226</u>	<u>359,358</u>	<u>909,354</u>	<u>6,509,230</u>	<u>1,102,860</u>
Business-type activities:					
Revenue bonds	\$ 10,873,000	\$ 970,000	\$ 574,000	\$ 11,269,000	\$ 572,000
Less deferred amounts:					
For issuance costs	(118,721)	(12,000)	(10,073)	(120,648)	-
For issuance discounts	(86,799)	(9,700)	(6,497)	(90,002)	-
Total bonds payable	10,667,480	948,300	557,430	11,058,350	572,000
Notes payable	549,129	-	27,249	521,880	44,221
Capital leases	184,536	-	81,799	102,737	27,129
Business type activity					
Long-term liabilities	<u>11,401,145</u>	<u>948,300</u>	<u>666,478</u>	<u>11,682,967</u>	<u>643,350</u>

The following is a summary of bond transactions of the City for the year ended June 30, 2005.

Bonds Payable at July 1, 2004	\$ 17,044,000
New Bonds Issued	970,000
Bonds Retired	(1,315,000)
Bonds Payable at June 30, 2005	<u>\$ 16,699,000</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

Bonds payable at June 30, 2005 are comprised of the following issues:

(1) General Obligation Bonds:

General Fund:

\$470,000, 8/20/96 General Obligation Bond Series 1996
due in annual installments of \$28,000 to \$46,000 through
August 1, 2012; interest at 4.5% to 6.35%. \$ 269,000

Special Revenue Funds:

\$1,525,000, Limited Obligation Road Bonds Series 1999
due in installments of \$140,000 to \$625,000 every five
years until 2019; interest at 5.0% to 6.05%. 1,320,000

(2) Special Assessment Bonds:

SID Debt Service:

\$3,415,000, 4/16/96 Special Assessment Bonds (SID 93-1)
due in annual installments of \$290,000 to \$320,000
through April 15, 2006; interest at 5.8%. 320,000

\$1,585,000, 7/15/98 Special Assessment Bonds (SID 96-1)
due in annual installments of \$153,000 to \$198,000
through July 15, 2008; interest at 5.3% to 5.4%. 734,000

(3) Revenue Bonds:

Storm Drainage Bonds:

\$345,000 Storm Drainage Bonds due in annual installments of
\$14,000 to \$28,000 through August 30, 2015;
interest at 6%. 237,000

\$721,000 Revenue Bonds due in annual installments of \$29,000
to \$36,000 through February 2008, interest at 5.15% to 5.50%,
with a balloon payment of \$431,000 due February 2018. 534,000

Pressurized Irrigation Fund:

\$586,000, 3/1/92 Revenue Bond due in annual installments of
\$21,000 to \$41,000 through March 1, 2018; interest at 5%. 403,000

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

Municipal Building Authority:

\$2,453,000 Lease Revenue Bonds due in annual installments of
\$98,000 to \$197,000 through June 2018; interest at 4.8% to 5.15%. 1,924,000

\$250,000 Lease Revenue Bonds due in annual installments of
\$22,000 to \$32,000 through June 2010; interest at 6%. 142,000

\$970,000 Lease Revenue Bonds due in annual installments of
\$48,000 to \$86,000 through September 2019; interest at 2.84% to 4.87%. 970,000

Power Fund:

\$4,735,000 Revenue Bond due in annual installments of \$170,000 to
\$305,000 through October 2015 with a \$1,415,000 payoff in 2019;
interest at 4.85% to 5.55%. 4,070,000

\$877,000 Revenue Bonds due in annual installments of \$69,000
to \$185,000 through March 2011; interest at 4.55% to 5.15%. 195,000

\$2,967,000 Revenue Bonds, Series 2004; due in annual installments
of \$151,000 to \$259,000 through September 2018; interest at 2.4%
to 4.8%. 2,794,000

(4) Tax Increment Bonds:

Redevelopment Agency:

\$3,765,000, 3/1/93 Tax Increment Bond due in annual installments of
\$180,000 to \$280,000 through March 1, 2013; interest at 3.1%. 1,890,000

\$897,000 Tax Increment Bonds, Series 2004; due in annual installments
of \$162,000 to \$199,000 through December 2009; interest at 3.9% to 6.2%. 897,000

Total Bonds Payable

\$ 16,699,000

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

Other long-term debt at June 30, 2005 is comprised of the following:

Leases Payable:

Lease payable in installments semi-annually of \$15,197.42 through June 2011, at 5.4% interest.	153,892
Lease payable in installments quarterly of \$16,659.35 through April 2012, at 4.55% interest.	397,189
Lease payable in installments quarterly of \$15,372.16 through November 2006, at 2.45% interest.	90,287
Lease payable in installments quarterly of \$6,971.09 through November 2006, at 2.45% interest.	40,944
Lease payable in installments annually of \$16,769.58 through October 22, 2008, at 3.1% interest.	61,792
Lease payable in installments semi-annually of \$19,554.36 through March 23, 2008, at 3.48% interest.	110,500
Lease payable in installments semi-annually of \$24,265.79 through January 15, 2010, at 3.56% interest.	220,500
Total Leases Payable	<u>\$ 1,075,105</u>

Notes Payable:

Note payable to Stratton Brothers, due in monthly installments of \$6,298.08; through July 28, 2006, at 9% interest.	521,880
Total Notes Payable	<u>\$ 521,880</u>

Accrued Vacation and Comp Time Payable:

Total Long-Term Debt	\$ 18,420,607
Less Current Portion:	
Business-type Activities	(643,350)
Governmental-type Activities	(1,102,860)
Net Long-Term Debt	<u>\$ 16,674,397</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

The special assessment debt with government commitment listed above is payable from the special assessments levied against and secured by a lien upon the lots, tracts and parcels of land within the district. In the event that the assessments are insufficient to pay the bonds and interest thereon as they become due, the deficiency shall be paid out of the general fund of the City. If the general fund does not have sufficient revenues to pay the debt service, the City council is required to levy a tax sufficient to provide payment of the debt. As of June 30, 2005, there are no delinquent special assessment receivables.

Annual Requirements to Amortize Long-Term Debt
June 30, 2005

Fiscal Year Ended 30-Jun	Redevelopment Agency Series 1993		Redevelopment Agency Series 2004	
	Principal	Interest	Principal	Interest
2006	195,000	58,590	162,000	44,008
2007	205,000	52,545	170,000	36,854
2008	220,000	46,190	178,000	28,098
2009	230,000	39,370	188,000	17,837
2010	240,000	32,240	199,000	6,169
2011	255,000	24,800	-	-
2012	265,000	16,895	-	-
2013	280,000	8,680	-	-
Total	<u>\$ 1,890,000</u>	<u>\$ 279,310</u>	<u>\$ 897,000</u>	<u>\$ 132,966</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

Fiscal Year Ended 30-Jun	Municipal Building Authority Series 2000		Municipal Building Authority Series 1999	
	Principal	Interest	Principal	Interest
2006	25,000	8,520	108,000	97,419
2007	27,000	7,020	113,000	91,911
2008	28,000	5,400	119,000	86,148
2009	30,000	3,720	125,000	80,020
2010	32,000	1,920	131,000	73,582
2011	-	-	138,000	66,836
2012	-	-	145,000	59,729
2013	-	-	153,000	52,261
2014	-	-	161,000	44,382
2015	-	-	169,000	36,090
2016	-	-	178,000	27,387
2017	-	-	187,000	18,220
2018	-	-	197,000	8,589
Total	<u>\$ 142,000</u>	<u>\$ 26,580</u>	<u>\$ 1,924,000</u>	<u>\$ 742,574</u>

Fiscal Year Ended 30-Jun	Municipal Building Authority Series 2004	
	Principal	Interest
2006	48,000	40,004
2007	50,000	38,493
2008	51,000	36,727
2009	53,000	34,742
2010	56,000	32,516
2011	58,000	30,070
2012	60,000	27,435
2013	63,000	24,602
2014	66,000	21,563
2015	69,000	18,312
2016	73,000	15,099
2017	76,000	11,970
2018	79,000	8,715
2019	82,000	5,334
2020	86,000	1,806
Total	<u>\$ 970,000</u>	<u>\$ 347,387</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

Fiscal Year Ended 30-Jun	Drainage Fund Series 1997		Drainage Fund Series 8/01/95	
	Principal	Interest	Principal	Interest
2006	33,000	27,555	16,000	14,220
2007	34,000	25,685	17,000	13,260
2008	36,000	23,705	18,000	12,240
2009	-	23,705	19,000	11,160
2010	-	23,705	20,000	10,020
2011	-	23,705	21,000	8,820
2012	-	23,705	22,000	7,560
2013	-	23,705	24,000	6,240
2014	-	23,705	25,000	4,800
2015	-	23,705	27,000	3,300
2016	-	23,705	28,000	140
2017	-	23,705	-	-
2018	431,000	23,705	-	-
Total	<u>\$ 534,000</u>	<u>\$ 313,995</u>	<u>\$ 237,000</u>	<u>\$ 91,760</u>

Fiscal Year Ended 30-Jun	Electric Utilities Fund Series 2000		Electric Utilities Fund Series 2002	
	Principal	Interest	Principal	Interest
2006	185,000	212,833	31,000	9,770
2007	195,000	203,583	35,000	8,251
2008	210,000	193,833	39,000	6,519
2009	215,000	183,333	43,000	4,569
2010	225,000	172,905	47,000	2,397
2011	240,000	161,993	-	-
2012	255,000	150,233	-	-
2013	260,000	137,483	-	-
2014	275,000	124,223	-	-
2015	290,000	109,923	-	-
2016	305,000	94,698	-	-
2017	-	78,533	-	-
2018	-	78,533	-	-
2019	1,415,000	78,533	-	-
Total	<u>\$ 4,070,000</u>	<u>\$ 1,980,639</u>	<u>\$ 195,000</u>	<u>\$ 31,506</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

Fiscal Year Ended 30-Jun	Electric Utilities Fund Series 2004		Pressurized Irrigation Series 3/1/92	
	Principal	Interest	Principal	Interest
2006	151,000	112,502	23,000	20,150
2007	156,000	107,623	24,000	19,000
2008	162,000	101,934	25,000	17,800
2009	168,000	95,494	26,000	16,550
2010	176,000	88,352	28,000	15,250
2011	183,000	80,586	29,000	13,850
2012	192,000	72,192	30,000	12,350
2013	201,000	63,151	32,000	10,850
2014	210,000	53,438	34,000	9,250
2015	220,000	43,943	35,000	7,550
2016	229,000	34,850	37,000	5,800
2017	239,000	25,373	39,000	3,950
2018	248,000	15,512	41,000	2,000
2019	259,000	5,245	-	-
Total	<u>\$ 2,794,000</u>	<u>\$ 900,193</u>	<u>\$ 403,000</u>	<u>\$ 154,350</u>

Fiscal Year Ended 30-Jun	Special Improvement District Number 96-1 Series 7/15/98		Special Improvement District Number 93-1 Series 4/16/96	
	Principal	Interest	Principal	Interest
2006	169,000	39,636	320,000	18,560
2007	179,000	30,510	-	-
2008	188,000	20,844	-	-
2009	198,000	10,692	-	-
Total	<u>\$ 734,000</u>	<u>\$ 101,682</u>	<u>\$ 320,000</u>	<u>\$ 18,560</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 6. Long-Term Debt, Continued

Fiscal Year Ended 30-Jun	General Fund Series 8/20/96		Limited Obligation Road Bonds Series 1999	
	Principal	Interest	Principal	Interest
2006	32,000	15,666	-	77,343
2007	34,000	13,702	-	77,343
2008	36,000	11,584	-	77,343
2009	38,000	9,308	295,000	77,343
2010	40,000	6,880	-	61,412
2011	43,000	4,276	-	61,412
2012	46,000	1,460	-	61,412
2013	-	-	-	61,412
2014	-	-	400,000	61,412
2015	-	-	-	37,812
2016	-	-	-	37,812
2017	-	-	-	37,812
2018	-	-	-	37,812
2019	-	-	625,000	37,812
Total	<u>\$ 269,000</u>	<u>\$ 62,876</u>	<u>\$ 1,320,000</u>	<u>\$ 805,492</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 7. Capital Leases

The City has entered into various lease agreements as lessee for financing the acquisition of an emergency vehicle, backhoe, truck, trailer, fire truck, park and fire property and some golf equipment. These lease agreements qualify as capital leases for accounting purposes (title transfers at the end of the lease terms for a nominal \$1 payment) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of future minimum lease payments under such capital leases, and the present value of net minimum lease payments at June 30, 2005.

- (A) Lease of park and fire property. The value of the land is \$232,500. The lease payment is \$15,197.42, paid semi-annually. Interest is accrued at 5.4%.

Fiscal year ended:

6/30/2006	\$ 30,395
6/30/2007	30,395
6/30/2008	30,395
6/30/2009	30,395
6/30/2010	30,395
6/30/2011	30,395
Total lease payments	182,370
Less amount representing interest	(28,478)
Present value of lease	<u>\$ 153,892</u>

- (B) Lease of fire truck and related equipment. The value of the truck and equipment is \$522,759. The lease payment is \$16,659, paid quarterly. Interest is accrued at 4.55%. Accumulated depreciation on the assets is \$248,543.

Fiscal year ended:

6/30/2006	\$ 66,636
6/30/2007	66,636
6/30/2008	66,636
6/30/2009	66,636
6/30/2010	66,636
6/30/2011	66,636
6/30/2012	66,636
Total lease payments	466,452
Less amount representing interest	(69,263)
Present value of lease	<u>\$ 397,189</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 7. Capital Leases, Continued

- (C) Lease of six Ford F-150 Police vehicles, a Dodge Dakota 4x4, a 5600 Toolcat, a 2004 GMC 1500 truck, and a 2004 GMC 2500 truck, with a down payment of \$51,092. The lease payment is \$22,343, paid quarterly. Interest is accrued at 2.45%.

The assets acquired through the capital lease are as follows:

	Governmental Activities	Electric Fund
Asset:		
Plant and equipment	\$ 208,244	\$ 55,908
Less: Accumulated Depreciation	(49,748)	(11,182)
Total	<u>\$ 158,496</u>	<u>\$ 44,726</u>
Fiscal year ended:		
6/30/2006	\$ 89,373	
6/30/2007	44,687	
Total lease payments	134,060	
Less amount representing interest	(2,829)	
Present value of lease	<u>\$ 131,231</u>	

- (D) Lease of a Front End Loader. During the year, the original loader purchased under the lease was traded for a new loader. The City intends to continue trading loaders each year under a program with the manufacturer. The value of the new loader is \$96,000. The lease payment is \$16,770, paid annually. Interest is accrued at 3.1%. Accumulated depreciation on the asset is \$0.

Fiscal year ended:	
6/30/2006	16,770
6/30/2007	16,770
6/30/2008	16,770
6/30/2009	16,770
Total lease payments	67,080
Less amount representing interest	(5,288)
Present value of lease	<u>\$ 61,792</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 7. Capital Leases, Continued

- (E) Lease of 5 vehicles used in the Steets, Police, and Fire departments with a down payment of \$33,106. The value of the equipment is \$143,606. The lease payment is \$19,554.36, paid semi-annually. Interest is accrued at 3.48%. Accumulated depreciation on the assets is \$8,867.

Fiscal year ended:

6/30/2006	\$ 39,109
6/30/2007	39,109
6/30/2008	39,109
Total lease payments	<u>117,327</u>
Less amount representing interest	<u>(6,827)</u>
Present value of lease	<u>\$ 110,500</u>

- (F) Lease of a Road Grader and Sweeper Truck with a down payment of \$43,922. The value of the equipment is \$264,422. The lease payment is \$24,265.79, paid semi-annually. Interest is accrued at 3.56%. Accumulated depreciation on the assets is \$25,183.

Fiscal year ended:

6/30/2006	\$ 48,532
6/30/2007	48,532
6/30/2008	48,532
6/30/2009	48,532
6/30/2010	48,532
Total lease payments	<u>242,660</u>
Less amount representing interest	<u>(22,160)</u>
Present value of lease	<u>\$ 220,500</u>

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 8. Interfund Transactions and Balances

Individual fund receivable and payable balances at June 30, 2005 were:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Capital Project Fund	\$ 153,298	\$ -
Redevelopment Agency Fund	182,071	153,298
Golf Course Fund	-	182,071
Electric Fund	168,992	-
Municipal Building Authority	-	160,416
Pressurized Irrigation Fund	-	8,576
Totals	<u>\$ 504,361</u>	<u>\$ 504,361</u>

The balance of \$153,298 due to the Capital Project Fund from the Redevelopment Agency Fund resulted from predevelopment costs of the Sky Mountain Golf Course loaned from the capital projects fund; \$75,000 of the balance is not scheduled to be collected in the subsequent year.

All remaining balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended June 30, 2005, consisted of the following:

	<u>Transfer In:</u>	<u>Transfer Out:</u>
General Fund	\$ 5,000	\$ 395,000
Ambulance Fund	25,000	-
Small Projects Fund	365,000	-
Pressurized Irrigation Fund	54,260	-
Water Fund	-	54,260
	<u>\$ 449,260</u>	<u>\$ 449,260</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 9. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Reserved fund balances are comprised of cash restricted for the following purposes: cemetery funds restricted as to use; flag trust fund money restricted for flag replacement; capital projects funds where amounts are restricted for capital project use only; general fund, special revenue fund and debt service fund money restricted for long-term debt reserves; and enterprise funds restricted for impact fees and long-term debt reserves.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 10. Defined Benefit Pension Plan

All full-time employees of the City participate in the Utah State-Wide Local Government Retirement Systems (Systems).

Plan Description

Hurricane City contributes to the Local Governmental Noncontributory Retirement System, the Public Safety Noncontributory Retirement System and the Firefighter's Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, Public Safety Retirement System for employers with (without) Social Security coverage, and Firefighters Retirement System which are for employers with (without) Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S., Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, Hurricane City is required to contribute 11.09% of their annual covered salary. In the Public Safety Noncontributory Retirement System, Hurricane City is required to contribute 19.08% of their annual covered salary. In the Firefighter's System, the City contributes 8.61%. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 10. Defined Benefit Pension Plan, Continued

The required contributions and amounts received for the 2005 fiscal year and the two previous years are as follows:

<u>Year Ended 6/30</u>	<u>Employee paid contributions</u>	<u>Employer paid for employee contributions</u>	<u>Employer contributions</u>	<u>Salary subject to retirement contributions</u>
Noncontributory System:				
Local Governmental Division				
2005	N/A	N/A	\$ 182,514.61	\$ 1,645,755.20
2004	N/A	N/A	148,244.51	1,541,002.63
2003	N/A	N/A	125,692.43	1,446,409.66
Public Safety System:				
Other Division A Noncontributory				
2005	N/A	N/A	\$ 87,813.77	\$ 460,237.88
2004	N/A	N/A	65,350.76	402,407.76
2003	N/A	N/A	51,047.85	367,515.05
Firefighters System:				
Division A				
2005	N/A	\$ 16,223.51	N/A	\$ 188,426.82
2004	N/A	16,367.27	N/A	199,356.31
2003	N/A	13,733.84	N/A	175,624.31
Defined Contribution System:				
457 Plan				
2005	\$ 7,281.56	\$ -		
2004	1,300.00	-		
2003	-	-		
401(k) Plan				
2005	\$ 45,740.55	\$ 17,382.64		
2004	38,252.38	18,015.12		
2003	32,418.96	13,900.12		

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risk financing activities are accounted for in various operating funds, with unallocated or City-wide activities being accounted for in the general fund.

The City maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust. Worker's compensation coverage is carried through the State Worker's Compensation Fund.

NOTE 12. Individual Fund Disclosures

Segment Information

For information on the enterprise funds, see the proprietary funds' financial statements in the fund financial statements and the combining financial statements in the supplementary section.

NOTE 13. Contingencies and Commitments

Boulevard Home Furnishings

In the fall of 2004, the City entered into an oral agreement with Boulevard Home Furnishings, providing incentives for construction of a furniture distribution warehouse in the Gateway Industrial Park. The City agreed to the following:

- The City waived payment by Boulevard for any and all City permits and fees for the project except for the annual business license, the sewer connection and impact fee, and the County's one-time Habitat Conservation fee.
- The City agreed that Boulevard would have no obligation for required road improvements to Highway # 91 to serve the project.
- The City agreed to provide adequate utilities and fire protection to the project.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 13. Contingencies and Commitments, Continued

Gas Fired Power Generator

In October 2005, the City made a commitment to purchase a natural gas fired generator. This generator will be housed in the generator building on 600 north. This is the third natural gas generator the City will own, with the existing building designed to hold six generators. The generator will be purchased from Cat and is scheduled to be in operation in June 2006. The cost of the generator is \$1,250,000. This will be financed through a revenue bond. The total bonding is expected to be around \$1,400,000, to cover reserves and costs of issuance. The City is using the generators to cut down on peak loads and to provide cheaper power during summer months when the market rates are high.

NOTE 14. Sewer and Garbage Contracts

Sewer and garbage disposal services are provided to the residents of the City by the Ash Creek Special Service District and the Washington County Solid Waste Special Service Districts respectively. The City bills for these services as part of its utility billings and the revenues and corresponding expenditures related to such services are included in the Electric Fund. Amounts due to these entities, if any, are included with accounts payable in the Electric Fund balance sheet.

CITY OF HURRICANE, UTAH
Notes to the Financial Statements
June 30, 2005

NOTE 15. Redevelopment Agency

The redevelopment agency was set up by the City and is reported in these financial statements as a blended component unit. The bonds of the agency are not legal obligations of the City and should they become delinquent are not backed by the good faith of the tax base of the City. The Agency is governed by a separate board appointed by the City Council. At this time, the Council has elected to appoint themselves as the governing board. Under the golf course RDA, the golf course was bonded and constructed by the Agency and leased to the City on a year to year lease, renewable each June. The amounts are included in the General Fund. The land, golf course improvements, and buildings are included as governmental capital assets in the statement of net assets. The bonds are also included in the governmental column of the statement of net assets. The agency is accounted for under the modified accrual basis of accounting, the same as the general fund.

The City's redevelopment agency has three project areas. Project Area #1 and #2 were used to develop the Sky Mountain Golf Course and surrounding area. Area #3 was used to develop the Gateway Industrial Park.

The following is information concerning the taxes collected, bonds outstanding and costs expended for the fiscal year ended June 30, 2005.

	<u>Area #1</u>	<u>Area #2</u>	<u>Area #3</u>
Tax increment collected	\$ 225,000	\$ 146,403	\$ 300,000
Tax increment paid to taxing entities	None	None	None
Outstanding bonds	\$ 1,890,000	None	\$ 897,000
Outstanding loans	None	\$ 153,298	None
Funds expended:	None	None	None
Acquisition of property	None	None	None
Site improvements	None	None	None
Public utilities	None	None	None
Administrative costs	\$ 8,710	\$ 11,364	\$ 15,000

COMBINING STATEMENTS

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The Special Revenue Fund is used to account for the proceeds from the ¼% sales tax passed by the City voters to be used for transportation-related improvements.

CAPITAL PROJECTS FUNDS

The Redevelopment Agency capital projects fund is used to account for the receipt of property taxes for, and the expenditure of funds for, RDA #1 and #2. These project areas were used to develop the Sky Mountain Golf Course and surrounding area.

The Redevelopment Agency #3 capital projects fund is used to account for the expenditure of funds for the RDA used to develop the area around the Wal-Mart Distribution Center.

The Swimming Pool capital projects fund is used to account for expenditure of funds for swimming pool and recreation related capital expenditures.

The Ambulance capital projects fund is used to account for funds designated for purchase of new ambulances. Funds are set aside every year so that a new ambulance can be purchased at the time one is needed.

The Fire Impact capital projects fund is used to account for the fees received and the expenditures made from Public Safety impact fees. Expenditures are made for capital improvements to Public Safety buildings and facilities.

The Street Impact capital projects fund is used to account for major street projects. This fund accounts for projects that cover more than one fiscal budget year.

The Parks Impact capital projects fund is used to account for the fees received and the expenditures made from Park impact fees. Expenditures are made for capital improvements to existing parks and acquisition of new park property and facilities.

The Capital Improvement capital projects fund is used to account for the expenditures of a CDBG grant for affordable housing. The grant is set up on a revolving fund to purchase, renovate, and sell homes for affordable housing.

The Small Projects capital projects fund is used to account for the expenditures of funds for small multi-year projects. The current funds are for completion of a master plan and animal shelter.

ENTERPRISE FUNDS

The Pressurized Irrigation Fund is used to account for the provision of pressurized irrigation services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing, related debt service, and billing and collection.

The Drainage Fund is used to account for the construction, financing, and operation and maintenance of a storm drain system within the City.

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CITY OF HURRICANE, UTAH
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Capital Projects				
	Special Revenue	Redevelopment Agency	Redevelopment Agency #3	Swimming Pool	Ambulance
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Due from other funds	-	182,071	-	-	-
Restricted cash and cash equivalents	160,724	848,100	409,967	219,162	57,666
Total assets	\$ 160,724	\$ 1,030,171	\$ 409,967	\$ 219,162	\$ 57,666
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 1,500	\$ -	\$ -
Due to other funds	-	153,298	-	-	-
Total liabilities	-	153,298	1,500	-	-
Fund Balances:					
Reserved for:					
Capital outlay	-	876,873	408,467	219,162	57,666
Other	160,724	-	-	-	-
Unreserved, undesignated	-	-	-	-	-
Total fund balances	160,724	876,873	408,467	219,162	57,666
Total liabilities and fund balance	\$ 160,724	\$ 1,030,171	\$ 409,967	\$ 219,162	\$ 57,666

<u>Fire Impact</u>	<u>Street Impact</u>	<u>Parks Impact</u>	<u>Capital Improvement</u>	<u>Small Projects</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	153,298	-	335,369	335,369
245,886	144,415	606,290	81,268	464,507	3,077,261	3,237,985
<u>\$ 245,886</u>	<u>\$ 144,415</u>	<u>\$ 606,290</u>	<u>\$ 234,566</u>	<u>\$ 464,507</u>	<u>\$ 3,412,630</u>	<u>\$ 3,573,354</u>
\$ -	\$ -	\$ 22,330	\$ -	\$ 240	24,070	24,070
-	-	-	-	-	153,298	153,298
-	-	22,330	-	240	177,368	177,368
245,886	144,415	583,960	81,268	464,267	3,081,964	3,081,964
-	-	-	-	-	-	160,724
-	-	-	153,298	-	153,298	153,298
<u>245,886</u>	<u>144,415</u>	<u>583,960</u>	<u>234,566</u>	<u>464,267</u>	<u>3,235,262</u>	<u>3,395,986</u>
<u>\$ 245,886</u>	<u>\$ 144,415</u>	<u>\$ 606,290</u>	<u>\$ 234,566</u>	<u>\$ 464,507</u>	<u>\$ 3,412,630</u>	<u>\$ 3,573,354</u>

CITY OF HURRICANE, UTAH
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Capital Projects				
	Special Revenue	Redevelopment Agency	Redevelopment Agency #3	Swimming Pool	Ambulance
Revenues					
Taxes	\$ 300,065	\$ 371,403	\$ 300,000	\$ -	\$ -
Intergovernmental revenue	-	-	-	-	-
Charges for services	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Contributions and donations	-	-	-	25	-
Investment earnings	6,018	17,284	13,871	6,248	929
Other revenues	-	-	118,797	-	-
Total revenues	306,083	388,687	432,668	6,273	929
Expenditures					
Current:					
General government	1,250	-	-	-	-
Parks and recreation	-	-	-	45,350	-
Economic development	-	45,611	459,867	-	-
Debt service:					
Principal	50,000	190,000	-	-	-
Interest	78,593	64,480	48,870	-	-
Capital outlay:					
Street construction	202,436	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	332,279	300,091	508,737	45,350	-
Excess (deficiency) of revenues over (under) expenditures	(26,196)	88,596	(76,069)	(39,077)	929
Other Financing Sources (Uses)					
Lease payment	-	231,228	-	-	-
Operating transfers in	-	-	-	-	25,000
Operating transfers out	-	-	-	-	-
Total other financing sources and uses	-	231,228	-	-	25,000
Net change in fund balances	(26,196)	319,824	(76,069)	(39,077)	25,929
Fund balances, beginning of year	186,920	557,049	484,536	258,239	31,737
Fund balances, end of year	\$ 160,724	\$ 876,873	\$ 408,467	\$ 219,162	\$ 57,666

Fire Impact	Street Impact	Parks Impact	Capital Improvement	Small Projects	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 671,403	\$ 971,468
-	280	-	-	-	280	280
125,580	1,379	638,921	-	-	765,880	765,880
850,600	-	-	-	-	850,600	850,600
-	-	5,201	-	-	5,226	5,226
4,750	1,291	9,616	1,920	2,979	58,888	64,906
30,026	3,236	-	-	-	152,059	152,059
<u>1,010,956</u>	<u>6,186</u>	<u>653,738</u>	<u>1,920</u>	<u>2,979</u>	<u>2,504,336</u>	<u>2,810,419</u>
18,413	-	2,551	-	11,767	32,731	33,981
-	-	-	-	-	45,350	45,350
-	-	-	-	-	505,478	505,478
6,986	-	14,247	-	-	211,233	261,233
3,014	-	6,147	-	-	122,511	201,104
-	51,866	-	-	-	51,866	254,302
<u>196,229</u>	<u>-</u>	<u>211,228</u>	<u>-</u>	<u>69,489</u>	<u>476,946</u>	<u>476,946</u>
<u>224,642</u>	<u>51,866</u>	<u>234,173</u>	<u>-</u>	<u>81,256</u>	<u>1,446,115</u>	<u>1,778,394</u>
<u>786,314</u>	<u>(45,680)</u>	<u>419,565</u>	<u>1,920</u>	<u>(78,277)</u>	<u>1,058,221</u>	<u>1,032,025</u>
-	-	-	-	-	231,228	231,228
-	-	-	-	365,000	390,000	390,000
-	-	-	-	-	-	-
-	-	-	-	365,000	621,228	621,228
786,314	(45,680)	419,565	1,920	286,723	1,679,449	1,653,253
(540,428)	190,095	164,395	232,646	177,544	1,555,813	1,742,733
<u>\$ 245,886</u>	<u>\$ 144,415</u>	<u>\$ 583,960</u>	<u>\$ 234,566</u>	<u>\$ 464,267</u>	<u>\$ 3,235,262</u>	<u>\$ 3,395,986</u>

CITY OF HURRICANE, UTAH
Combining Statement of Net Assets
Non-Major Enterprise Funds
June 30, 2005

	<u>Pressurized Irrigation Fund</u>	<u>Drainage Fund</u>	<u>Total Non-Major</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ -	\$ 123,530	\$ 123,530
Receivables, net of allowance	15,786	16,950	32,736
Total current assets	<u>15,786</u>	<u>140,480</u>	<u>156,266</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	93,725	93,725
Capital assets:			
Water stock	264,675	-	264,675
Distribution system	861,755	1,626,397	2,488,152
Less: Accumulated depreciation	<u>(207,611)</u>	<u>(155,632)</u>	<u>(363,243)</u>
Total noncurrent assets	<u>918,819</u>	<u>1,564,490</u>	<u>2,483,309</u>
Total assets	<u>934,605</u>	<u>1,704,970</u>	<u>2,639,575</u>
Liabilities			
Current liabilities:			
Accounts payable	22,401	27,947	50,348
Due to other funds	8,576	-	8,576
Interest payable	6,717	23,331	30,048
Current portion of noncurrent liabilities	23,000	49,000	72,000
Total current liabilities	<u>60,694</u>	<u>100,278</u>	<u>160,972</u>
Noncurrent liabilities:			
Bonds payable	403,000	771,000	1,174,000
Less current portion of noncurrent liabilities	<u>(23,000)</u>	<u>(49,000)</u>	<u>(72,000)</u>
Total noncurrent liabilities	<u>380,000</u>	<u>722,000</u>	<u>1,102,000</u>
Total liabilities	<u>440,694</u>	<u>822,278</u>	<u>1,262,972</u>
Net Assets			
Invested in capital assets, net of related debt	515,819	699,765	1,215,584
Restricted for debt service	-	93,725	93,725
Unrestricted	<u>(21,908)</u>	<u>89,202</u>	<u>67,294</u>
Total net assets	<u>\$ 493,911</u>	<u>\$ 882,692</u>	<u>\$ 1,376,603</u>

CITY OF HURRICANE, UTAH
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Non-Major Enterprise Funds
For the Year Ended June 30, 2005

	<u>Pressurized Irrigation Fund</u>	<u>Drainage Fund</u>	<u>Total Non-Major</u>
Operating revenues:			
Charges for services	\$ 94,574	\$ 205,149	\$ 299,723
Other revenues	-	25,000	25,000
	<u>94,574</u>	<u>230,149</u>	<u>324,723</u>
Operating expenses:			
Rent	60,048	-	60,048
Distribution system repairs and maintenance	21,632	1,002	22,634
Insurance	-	2,000	2,000
Depreciation	17,235	29,823	47,058
Bad debts	239	619	858
Utilities	12,751	-	12,751
Professional services	-	8,407	8,407
Assessments	14,850	-	14,850
	<u>126,755</u>	<u>41,851</u>	<u>168,606</u>
Total operating expenses	<u>126,755</u>	<u>41,851</u>	<u>168,606</u>
Operating income (loss)	<u>(32,181)</u>	<u>188,298</u>	<u>156,117</u>
Nonoperating revenues (expenses):			
Connection and impact fees	42,013	4,838	46,851
Interest income	1,230	3,978	5,208
Interest expense and fiscal charges	(20,900)	(32,531)	(53,431)
	<u>22,343</u>	<u>(23,715)</u>	<u>(1,372)</u>
Total nonoperating revenues (expenses)	<u>22,343</u>	<u>(23,715)</u>	<u>(1,372)</u>
Income before contributions and transfers	(9,838)	164,583	154,745
Transfers from other funds	54,260	-	54,260
Change in net assets	44,422	164,583	209,005
Total net assets, beginning of year	<u>449,489</u>	<u>718,109</u>	<u>1,167,598</u>
Total net assets, end of year	<u>\$ 493,911</u>	<u>\$ 882,692</u>	<u>\$ 1,376,603</u>

CITY OF HURRICANE, UTAH
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended June 30, 2005

	<u>Irrigation Fund</u>	<u>Drainage Fund</u>	<u>Total Non-Major</u>
Cash flows from operating activities:			
Cash received from customers, service fees	\$ 95,862	\$ 204,049	\$ 299,911
Cash received from customers, capacity fees and other	-	25,000	25,000
Cash paid to suppliers	(89,252)	6,209	(83,043)
Net cash provided by operating activities	<u>6,610</u>	<u>235,258</u>	<u>241,868</u>
Cash flows from noncapital financing activities:			
Transfers (to) from other funds	54,260	-	54,260
Advances (to) from other funds	(60,863)	-	(60,863)
Net cash (used) by noncapital financing activities	<u>(6,603)</u>	<u>-</u>	<u>(6,603)</u>
Cash flows from capital and related financing activities:			
Principal payments on bonds	(22,000)	(46,000)	(68,000)
Interest paid	(21,250)	(34,538)	(55,788)
Purchase of capital assets	-	(135,249)	(135,249)
Connection and impact fees	42,013	4,838	46,851
Net cash used by capital and related financing activities:	<u>(1,237)</u>	<u>(210,949)</u>	<u>(212,186)</u>
Cash flows from investing activities:			
Interest on investments	1,230	3,978	5,208
Net increase (decrease) in cash and cash equivalents	-	28,287	28,287
Cash and cash equivalents, beginning of year	-	188,968	188,968
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 217,255</u>	<u>\$ 217,255</u>
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income (loss)	\$ (32,181)	\$ 188,298	\$ 156,117
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation/amortization	17,235	29,823	47,058
Changes in operating assets and liabilities:			
(Increase) Decrease in receivables	1,288	(1,100)	188
Increase (Decrease) in accounts payable	20,268	18,237	38,505
Net cash provided by operating activities	<u>\$ 6,610</u>	<u>\$ 235,258</u>	<u>\$ 241,868</u>

**CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS**

CITY OF HURRICANE, UTAH
Capital Assets Used in the Operation of Governmental Funds
By Source
For the Year Ended June 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Capital Assets				
Land, improvements and water rights	\$ 5,195,668	\$ 172,042	\$ 25,000	\$ 5,342,710
Plant and equipment	4,004,493	592,660	86,017	4,511,136
Buildings	1,439,579	198,493	1,057,399	580,673
Infrastructure	<u>8,287,034</u>	<u>569,118</u>	<u>-</u>	<u>8,856,152</u>
	<u>\$ 18,926,774</u>	<u>\$ 1,532,313</u>	<u>\$ 1,168,416</u>	<u>\$ 19,290,671</u>
Investment in Capital Assets From				
General city revenues, grants, and bonds	\$ 18,926,774	\$ 1,532,313	\$ 1,168,416	\$ 19,290,671
Contributions from incorporation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 18,926,774</u>	<u>\$ 1,532,313</u>	<u>\$ 1,168,416</u>	<u>\$ 19,290,671</u>

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CITY OF HURRICANE, UTAH
Capital Assets Used in the Operation of Governmental Funds
By Function and Activity
For the Year Ended June 30, 2005

Functions and Activity	June 30, 2005	Land and Improvements	Plant and equipment
General government			
City council	\$ 4,377	\$ -	\$ 4,377
City manager	3,293	-	3,293
Court	9,086	-	9,086
Personnel	67,841	-	67,841
Other - unclassified	970,892	427,477	541,719
Public safety			
Police	752,661	16,000	736,661
Fire	1,791,634	6,942	1,784,692
Ambulance	422,385	-	422,385
Animal control	47,015	-	47,015
Highways			
Airport	594,867	594,867	-
Maintenance	689,531	-	689,531
Street system	9,045,888	298,257	-
Other - unclassified	211,460	102,939	-
Parks and recreation			
Golf	3,502,968	3,002,968	-
Other - unclassified	1,176,773	893,260	204,536
Total governmental funds capital assets	\$ 19,290,671	\$ 5,342,710	\$ 4,511,136

Buildings	Infrastructure
\$ -	\$ -
-	-
-	-
-	-
1,696	-
-	-
-	-
-	-
-	-
-	-
-	8,747,631
-	108,521
500,000	-
78,977	-
\$ 580,673	\$ 8,856,152

CITY OF HURRICANE, UTAH
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2005

Functions and Activity	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
General government				
City council	\$ 4,377	\$ -	\$ -	\$ 4,377
City manager	3,293			3,293
Court	9,086	-	-	9,086
Personnel	67,841	-	-	67,841
Other - unclassified	950,942	44,950	25,000	970,892
Total general government	<u>1,035,539</u>	<u>44,950</u>	<u>25,000</u>	<u>1,055,489</u>
Public safety				
Police	683,307	69,354	-	752,661
Fire	2,551,200	297,833	1,057,399	1,791,634
Ambulance	404,791	17,594	-	422,385
Animal control	47,015	-	-	47,015
Total public safety	<u>3,686,313</u>	<u>384,781</u>	<u>1,057,399</u>	<u>3,013,695</u>
Highways				
Airport	560,675	34,192	-	594,867
Maintenance	406,606	368,942	86,017	689,531
Street system	8,476,770	569,118	-	9,045,888
Other - unclassified	211,460	-	-	211,460
Total highways	<u>9,655,511</u>	<u>972,252</u>	<u>86,017</u>	<u>10,541,746</u>
Parks and recreation				
Golf	3,502,968	-	-	3,502,968
Other - unclassified	1,046,443	130,330		1,176,773
Total parks and recreation	<u>4,549,411</u>	<u>130,330</u>	<u>-</u>	<u>4,679,741</u>
Total governmental funds capital assets	<u>\$ 18,926,774</u>	<u>\$ 1,532,313</u>	<u>\$ 1,168,416</u>	<u>\$ 19,290,671</u>

FEDERAL AND STATE REPORTS

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KEMP BURDICK

KEMP BURDICK HINTON & HALL L.L.C.

CPA'S & ADVISORS

**Independent Auditors' Report on Compliance with
Laws and Regulations and on
Internal Control over Financial Reporting
Based on an Audit of Basic
Financial Statements Performed in Accordance
with *Government Auditing Standards***

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

To the Honorable Mayor and
Members of the City Council
Hurricane, Utah 84737

We have audited the basic financial statements of the City of Hurricane, Utah, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 20, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether Hurricane City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In planning and performing our audit, we considered Hurricane City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being

audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the mayor, audit committee, management, and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

While these reports are intended to be used by the specified parties, which include the applicable government regulatory bodies which require the reports, this report restriction does not alter the fact that the audit reports are public documents which, based on Utah laws, must be open to inspection by any interested person.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.
October 20, 2005



KEMP BURDICK

KEMP BURDICK HINTON & HALL L.L.C.

CPA'S & ADVISORS

Independent Auditors' Report on State Legal Compliance

MEMBERS:
KRIS J. BRAUNBERGER
DEAN R. BURDICK
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

To the Honorable Mayor and
Members of the City Council
Hurricane, UT 84737

We have audited the basic financial statements of the City of Hurricane, Utah, for the year ended June 30, 2005, and have issued our report thereon dated October 20, 2005. As part of our audit, we have audited the City of Hurricane's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Liquor Law Enforcement
Justice Courts
Other General Compliance Issues
Department of Commerce
B & C Road Funds
Impact Fees & Other Development Fees
Asset Forfeiture

The management of the City of Hurricane is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of non-compliance with the requirements referred to above, which are described in the accompanying schedule of findings and recommendations. We considered these instances of non-compliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Hurricane, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.
October 20, 2005



KEMP BURDICK

KEMP BURDICK HINTON & HALL L.L.C.

CPA'S & ADVISORS

MEMBERS:

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Clark Fawcett
Honorable Mayor
And City Council
Hurricane, UT 84737

Ladies and Gentlemen:

During our audit of the funds of Hurricane City for fiscal year 2004-2005, we found several weaknesses discussed in prior years that have been improved upon. We would like to compliment those city personnel responsible for the improvements. However, we also discovered two state laws the City had not complied with. They are discussed below for your consideration.

1. Finding – City Treasurer's Bond

Utah Code Annotated, 1953, as amended, Section 51-7-15 and Rule 4 of the Utah Money Management Council requires that the city treasurer be bonded at certain levels, based on budgeted City revenues. Currently the city treasurer is bonded for \$650,000. Due to continued growth in the City's budget, the bond amount is no longer adequate.

Recommendation

We suggest the City increase the city treasurer's bonding amount to at least \$750,000.

2. Finding - Budgeted Property Tax Revenue

State Law requires that the City's budgeted property tax revenues equal the amount shown on the TC-693 *Tax Rate Summary* in the "Budgeted Revenue" column. The City's budget for property tax does not equal the amount shown on the TC-693.

Recommendation

We recommend that the City ensure that the budgeted property tax revenues equal the amount shown on the TC-693 *Tax Rate Summary* in the "Budgeted Revenue" column.

This letter is intended solely for the use of the City Council and management.

It has been a pleasure to be of service to the City this past year. We would like to express special thanks to each member of the staff who assisted us so efficiently in this year's audit. We found each member of the staff to be very helpful and cheerful. Particularly, a great deal of time was required by the city manager, Clark Fawcett. We felt that he made himself available whenever and wherever needed despite difficult time constraints. This certainly facilitated the preparation of the audit report.

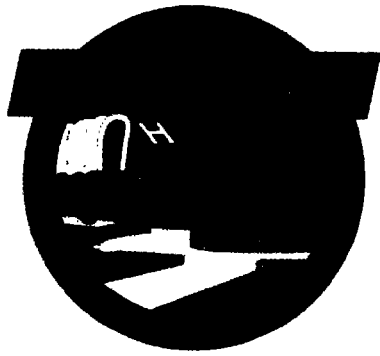
We look forward to a continued pleasant professional relationship.

Sincerely,

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.

October 20, 2005



City of Hurricane

Larry LeBaron
Ethelyn Humphries
John W Bramall
Danny G Campbell
Glenwood Humphries
Council Members

Clark R Fawcett
City Manager

Thomas B Hirschi
Mayor

AUDIT MANAGEMENT LETTER RESPONSE

1. We acknowledge that the bond for the treasurer is not to the amount prescribed by the Money Management Council. We have been increasing it every year but sometimes we don't estimate high enough when we increase it. We will increase the bond to the amount recommended by the Auditors.

2. This is a difficult law to comply with. The city didn't even get the forms on the property tax from the County until after the budget was adopted. I estimated high so we would get all the tax we could without having a public hearing. We didn't want to raise the tax rate but we didn't want to lower it either. If the State and County would meet their deadlines we would have the certificate to sign prior to adopting the budgets and we could adjust the anticipated property tax to the actual per the report. We are at the mercy of the State and County to provide the information we need for the correct tax calculation.

Clark R. Fawcett
City Manager
December 12, 2005

STATISTICAL SECTION

CITY OF HURRICANE
NOTES TO STATISTICAL SECTION

Note 1. Statistical Information.

Water Connections	3,633
Power Connections	4,593
Water Usage	737,924,000 gallons
Power Usage	67,968,194 kilowatt hours
Residential Water Rates	Minimum \$16.00 Plus \$.60 per 1,000 Gallons Minimum \$14.00 Plus \$1.20 per 1,000 Gallons
Residential Power Rate	Base Rate \$5.95 Plus \$.0695 per kilowatt

Note 2. Insurance Coverage.

Insurance coverage for Hurricane city for fiscal year 2005 was as follows:

<u>Insurer</u>	<u>Insurance Type</u>	<u>Amount of Coverage</u>	<u>Policy Number</u>
Utah Local Government Trust	General Liability	2,000,000	TGL 165
	Auto Liability	2,000,000	TGL 165
Utah Local Government Trust			TGL 165
	Police Station	240,780	
	Fire Station	374,130	
	Shop	215,900	
	Museum	436,220	
	Power Office	133,450	
	Golf Maintenance Shop	178,480	
	Pool	650,000	
	City Office	850,000	
	Golf Pro Shop	414,840	
	Power Generation	2,920,830	
	Animal Shelter	272,240	

Workers Compensation Fund	Workers Compensation		
IHC	Health		LG-1002
Utah Local Governments Trust	Auto & Equipment	2,000,000	TGL 165
Utah Local Governments Trust	Airport Liability	1,000,000	TGL 165
Utah Local Governments Trust	Treasurer's Bond	650,000	TGL 165
	Recorder's Bond	40,000	
	Employee Blanket Bond	10,000	
Utah Local Governments Trust	Ambulance Services	2,000,000	TGL 165
Utah Local Governments Trust	Police Department	2,000,000	TGL 165
Utah Local Governments Trust	Public Officials E&O	2,000,000	TGL 165

